FAIRNESS IN ANTITRUST IN NATIONAL SPORTS (FANS) ACT OF 2001

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BEFORE THE

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ONE HUNDRED SEVENTH CONGRESS

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CONTENTS

DECEMBER 6, 2001

OPENING STATEMENT

WITNESSES

LETTERS, STATEMENTS,ETC., SUBMITTED FOR THE HEARING

APPENDIX

STATEMENTS SUBMITTED FOR THE RECORD

MATERIAL SUBMITTED FOR THE RECORD

FAIRNESS IN ANTITRUST IN NATIONAL SPORTS (FANS) ACT OF 2001

THURSDAY, DECEMBER 6, 2001

House of Representatives,
Committee on the Judiciary,
Washington, DC.

The Committee met, pursuant to call, at 1:30 p.m., in Room 2141, Rayburn House Office Building, Hon. F. James Sensenbrenner, Jr. (Chairman of the Committee) presiding.

Chairman Sensenbrenner. The Committee will be in order.

Without objection, the Chair is given authority to declare recesses at any time during today's hearing. And the Chair yields himself 5 minutes for an opening statement.

For years the most feared phrase in the English language has been, I am from the government and I am here to help. In 1922, the judicial branch of government was there to help Major League Baseball. In a unique decision, the United States Supreme Court held that baseball was not a business and thus not subject to the antitrust laws. With minor modification, baseball's antitrust exemption has survived to this day. It is an exemption enjoyed by none of the other major league sports.

Seventy-nine years ago Major League Baseball consisted of 16 teams clustered in the Northeast and Midwest. Players were paid what was generously described as a pittance. Ballparks were privately owned, and genuine fan loyalty was built upon stars playing with the same team for most of their careers.

Today 30 teams play in major cities throughout the country except one, the Nation's Capital. Players receive astronomical salaries, the newer parks were largely built with taxpayers' money, and free agency sends the stars from one team to another almost before they can warm their places in the dugout. The major argument for using taxpayers' funds to build new stadiums has been the economic boom brought to a community by having a Major League Baseball team.

At this hearing we will receive testimony that baseball is in dire financial straits and that the antitrust exemption should remain. One of the many questions which baseball must answer is why so many teams are in financial peril with the protection of special legal status when major league football, basketball and hockey teams are not? Perhaps the help given to baseball by the Supreme Court in 1922 really has not been so helpful after all.

And another question to be answered by baseball is how a sport which grosses over $3 billion a year is still not a business when the presence of a team obviously stimulates business throughout the lucky communities.

For years baseball has told Congress that it can heal itself, and it obviously has not done so, even though this year baseball has had record attendance and the best World Series in history. The numbers do not add up. Success on the field and at the box office should bring success to the bottom line. So maybe the Supreme Court's help in 1922 has outlived its usefulness, and the market should be allowed to work in baseball like it has in other major sports.

Chairman SENSENBRENNER. At this time the chair recognizes the gentleman from Michigan, the Ranking Member, Mr. Conyers.

Mr. CONYERS. Thank you, Mr. Chairman. Members of the Committee, we welcome these happy faces here. The Commissioner is here. That is wonderful.

I thank the Chair for holding these timely hearings on my proposal. We are pretty busy, but it is never out of order to try to focus in on a matter of economic justice.

And there are those who are suggesting that there shouldn't be just a temporary—you know—elimination and relocation restriction, but that we should consider whether this 1922 ruling of the courts still makes any sense or not really.

I guess there may be somebody in America that really believes that baseball is not a business, but it is just a sport. And you may recall that in 1994, Congressman Mike Synar had thought this through and thought that the time had come to forget the partial exemptions, and every time the people in baseball screw up, that we take away a little piece of their exemption.

So I come here very interested in what I have heard to be some tremendous accounting theories that the Commissioner will put forward about how tough things are. And, God knows, I support the underdog, economically or on the field. I mean, let's—that is the American way of doing business. Let's root for the little guys in baseball, like the owners that are hemorrhaging. You know, I mean, this is—this is a tough situation that brings us here. We have—we are still—reacting to the Curt Flood episode in baseball history, and we remember that the owners got together—some say collusion, but I don't use those kind of legal terms—among themselves to reduce free agent salaries and were forced to pay a record $280 million in damages.

The record in minority hiring makes me wonder if the term "affirmative action" has ever entered into the considerations of the—of these meetings. No minority owners. One single minority general manager. And we remember what happened to your predecessor, Mr. Commissioner, when he thought that he could dare put the public interests ahead of anybody else's: eight work stoppages in the last 30 years, more than any other professional sport combined, including the longest work stoppage in professional sports history in 1994.

And there is the Minnesota Twins episode, which we won't go into now. This is going to be pretty interesting. I have got—one of my colleagues from Pennsylvania was asking me about the fate of Eric Gregg. We have got some letters for you to consider what is happening to him.

And then finally, I wanted to just close by reminding the Commissioner of the determination of the Commissioner's Blue Ribbon Panel on Baseball Economics. You recall that one; it examined the question of whether the league's current system has created a problem of competitive imbalance in the game.

Independent panel. Former Senate leader George Mitchell, former Reserve Board Chairman Paul Volker, Yale president Richard Levin, and, of course, our old friend George Will. And after a year and a half, the—the Commission issued a report, and they found that—they recommended that the teams significantly increase revenue-sharing among its teams with new national broadcasting licensing and Internet revenue distributed to assist low-revenue clubs. Okay.

Last sentence. The contraction should not be the first option taken by the Major League Baseball owners, and the Commission's panel stated that if the recommendations outlined in the report are implemented, there should be no immediate need for contraction. That was on page 44 of the report.

So welcome again. Let's have a nice, fair, clean, baseball-type hearing.

Chairman SENSENBRENNER. We will try.

Our first witness is Mr. Bud Selig, the ninth Commissioner of Baseball. Mr. Selig began his career in Major League Baseball with the creation of an investment group named Teams, Inc., which later changed its name to the Brewers. While serving as president of the Brewers, Mr. Selig was a member of the Major League Baseball Executive Council. In 1992, he was named chairman of the Council and served in this dual role until July 9, 1998, when he was unanimously appointed Commissioner of Baseball. He just has been given a new contract, and I would like to congratulate your agent for doing a good job for you.

Next the Committee will hear from Governor Jesse Ventura of Minnesota. Governor Ventura is Minnesota's 38th Governor and first ever Reform Party candidate to win statewide office. He served 6 years as a SEAL in the United States Navy, and had a short but allegedly distinguished career in professional wrestling and acting, and served 5 years as mayor of Brooklyn Park, Minnesota.

The third witness will be Mr. Jerry Bell, the Minnesota Twins third president. Mr. Bell is in his 15th year as chief executive of the club. Prior to joining the Twins, Mr. Bell served as executive director of the Metropolitan Sports Facilities Commission which operates the Metrodome.

And finally the Committee will hear from Mr. Steven Fehr, who will be testifying on behalf of the Major League Players Association. Mr. Fehr served as an attorney and agent for individual baseball players and counsel for the Major League Baseball Players Association. He received both his BA and JD degrees from the University of Kansas.

Commissioner Selig, Governor Ventura, Mr. Bell and Mr. Fehr, welcome to today's hearing. You will each be recognized for 5 minutes or so to make a verbal statement in the order that I introduced you, with the exception of Mr. Selig, who has asked for and is permitted an additional 10 minutes because of the complexity of the financial information that he wishes to give to the Committee.

With that being said, would you please all rise and raise your right hand to be sworn in.

[Witnesses sworn.]

Chairman SENSENBRENNER. Let the record show that all of the witnesses answered in the affirmative.

Mr. Selig, you are recognized.

Mr. CONYERS. Mr. Chairman, is it my understanding that the Commissioner will get 15 minutes total?

Chairman SENSENBRENNER. That is correct. That was agreed upon.

Mr. Selig, you are recognized.

Mr. CONYERS. Yeah, but who agreed? Between who?

Chairman SENSENBRENNER. Between the Commissioner and the Chairman, who has the power of recognition under the rules.

Mr. CONYERS. Well, just asking, you know. Just trying to find out.

Chairman SENSENBRENNER. Mr. Selig.

TESTIMONY OF ALLAN H. (BUD) SELIG, COMMISSIONER OF MAJOR LEAGUE BASEBALL

Mr. SELIG. Thank you, Mr. Chairman. My name is Allan H. Selig, and I currently serve as the Commissioner of Baseball. I appreciate the opportunity to testify before you today on matters that are of concern to this Committee, to those of us in baseball and to our fans.

I appear today for the particular purpose of addressing H.R. 3288, a bill that would partially remove baseball's antitrust exemption. In order to address the bill fully, it would be helpful for me to first speak more broadly about the state of our industry.

When I was elected Commissioner on July 9, 1998, I pledged to concentrate on two areas that were especially troubling to our clubs: competitive balance on the field, and the economic stability of the clubs and baseball as a whole. As part of the examination of these problems, I formed a blue ribbon panel on baseball economics, and named four independent members with the highest qualifications and reputations for integrity: Richard Levin, a brilliant economist, and the president of Yale University; George Mitchell, former lawyer, judge and Senate Majority Leader to whom in recent years the U.S. Government has entrusted some of the Nation's most difficult and important problem-solving missions; Paul Volker, also an accomplished economist and former Chairman of the Federal Reserve Board; and George Will, the highly respected author and Pulitzer-Prize-winning journalist who has written extensively on baseball.

For 15 months the blue ribbon panel studied baseball's then current economic system. The panel was given unfettered access to all of the books and records of baseball and the individual clubs. It left no stone unturned. It had numerous meetings with groups of owners. The head of the union, Don Fehr, and his associates appeared at one formal session, and members of the panel had other discussions with the union.

The report of those four panel members was released in July of 2000. It was unequivocal. It concluded that baseball's economic system is broken. It concluded that baseball had severe competitive balance problems that are threatening the game, and that are caused by large and growing club revenue disparities and payroll disparities.

The report demonstrated beyond dispute that there was a direct relationship between revenues and payrolls on one hand, and a club's on-the-field performance on the other. It showed that only the top spending teams had any appreciable chance of reaching the World Series, much less winning it. The disparity had become so severe that teams that spend below the industry average on player payroll had not won a single postseason game in the 5 years studied in the report, 1995 to 1999, a total of 158 games. Clearly, numerous teams and their fans were beginning spring training each year with little or no hope or faith that their teams could reach the postseason.

Although not the focus of this report, the report also showed extensive operating losses for the vast majority of major league clubs between 1995 and 1999. Over those 5 years, only 3 teams, 10 percent of the industry, the New York Yankees, the Colorado Rockies and the Cleveland Indians, were profitable. During that 5-year period that these gentlemen studied, on operations alone the industry lost in excess of $1 billion.

The situation has only gotten worse since that report. Our postseason continues to be dominated by high-payroll clubs, and those payrolls continue to escalate. Although there has been an occasional exception involving a lower payroll team appearing but not advancing in the playoff, the payroll and performance correlation is unmistakable and powerful. As the attached chart 1 over there shows, through the 2001 playing season, there now have been 224 postseason games in the past 7-year period. Still, no team other than in the top one-quarter of payrolls has won a single World Series game. Teams in the lower half have now won five playoff games out of 224 games, representing a mere 2 percent, but none has advanced beyond the first round.

Baseball's financial losses and overall economic stability are even bleaker now than they were in the summer of 2000. Although revenue continues to grow, so do losses. As the attached chart 2 shows, cumulative operating losses over the 7-year period have grown to almost $1.4 billion, and now only two teams have been profitable on an operations basis over that period, the Cleveland Indians and the New York Yankees.

In fact, even respected outside observers are concerned about our, "successful clubs." For instance, just this week the head of the sports group at Lehman Brothers was quoted in the Sports Business Journal as follows about the Cleveland Indians: The Indians are not a basket-case franchise. "They have maximized all of their venue revenue," he said. "They have got a good competitive team. They are not at the top of the payroll heap. And still they are not making money. Where does that leave most of the other clubs?"

I met with all of the clubs last week in Chicago and also a month ago and told the club owners that I would present the Congress the same numbers that our clubs have recently reviewed. This is the first time that Major League Baseball has come to Congress with industry financial numbers as detailed as these, including individual club financial results. Let me point out just a few of these numbers for you on the attached chart 3, and urge that everyone take time to study what we have presented.

Although this year's audits are not yet final, the consolidated loss for all 30 clubs in 2001 will be approximately $519 million. Twenty-five clubs lost money, and five made money this year. The consolidated loss from just baseball operations alone will be approximately $232 million. When the net interest expense is added to this number, the loss becomes nearly $345 million.

The interest I speak of relates predominantly to debt that is staggering in its own proportions. The total industry debt is currently over $3 billion, as shown in chart 4. If you add deferred compensation and future guaranteed obligations to players, that number approaches $8 billion. Needless to say, these numbers are the highest in baseball history, and incredibly they are still growing rapidly.

Two of baseball's bankers spoke to our clubs at our meeting last week and underscored the severity of this situation. I have read that the union and its accountant will be skeptical about these numbers, but I am here to tell the Committee that the union has had these numbers, that these numbers have been audited repeatedly, and that the union has represented that it accepts the veracity of the numbers we have presented.

The union has had club financial data since the mid-1980's. Since 1985, the clubs have provided the union with audited financial statements from each club, uniform financial questionnaires prepared by each club, and the industry's consolidated financial statement. Since 1997, we have also provided the union with the results of the separate revenue-sharing audits that are done of each club's books each year by Pricewaterhouse Coopers.

Finally, the union has the right under our collective bargaining agreement to conduct its own audit of any of the club's revenues. It has never done so. As part of my submission, I have provided three pages describing the financial information that has been presented to the union.

The idea that somehow what I have presented today is not an accurate picture of the industry's economics is sheer nonsense. Anyone who would state otherwise is just plain misinformed or, frankly, is engaging in deliberate misstatement.

In examining the baseball's competitive and financial issues, it has become clear that there are clubs that generate so little in local revenue now that they have no chance of achieving long-term competitive and financial stability, as shown in chart 5. Revenue-sharing alone will not enable certain clubs to be viable over the long term.

We believe certain clubs have no prospect of long-term competitiveness on the field or financial viability off the field. That is why baseball has made the decision to contract by two teams, without having finally decided which teams they will be. Baseball has made this decision because the local revenue generated in these markets is simply insufficient to justify our continued investment in those markets. As you saw from the numbers, we have one team that receives 80 percent of its total revenues from Central Baseball, and others that receive more than 50 percent.

Much has been written and said on the subject of contraction since I announced it a month ago, and, quite candidly, much of it is simply wrong. As an example, baseball has been criticized for simply proceeding with contraction without consulting the players union. Nothing can be further from the truth. We first broached the subject of contraction with union leaders early this year and continued to discuss it with them throughout the year. The union has clearly been kept informed that contraction was an option we were considering. And we have begun bargaining over the effects of contraction.

It is also said that baseball should not contract its troubled franchises, but should relocate them. We have looked at the possibility of relocation and have not ruled it out in the near future. It is not, however, an immediate answer to the problem that we are trying to solve. In weighing various relocation possibilities, it has become clear to us that moving a club during this off-season, given our current industry economic environment, would merely be substituting one problem for another problem. Again, although we are very proud that no club has moved for 30 years, we may well find that relocation can become one part of our overall solution in the very near future, but it is not the answer to the problems we are facing this year.

Members of this august body and the press have said that baseball needs to share more local revenue. Governor Ventura has said many times that baseball needs to get its house in order by having more revenue-sharing and some form of salary restraint. Let me address both of those points.

First, baseball shares more revenue now than many of you and many of our fans seem to realize. This year approximately $167 million in local revenue will be directly sent from the top clubs to the bottom clubs. In addition, more than $700 million in national revenues are divided equally amongst the 30 teams. The $167 million is the highest level of local revenue-sharing that baseball has ever had, and it is four times more than we had only 5 years ago. But we fully agree. I repeat, fully agree, that we should be sharing more local revenue. Our clubs are willing to do so. It must, however, be negotiated with the players union, which has resisted substantial increases in revenue-sharing. Let me repeat. The owners want to share more revenues, and the union at this point has been unwilling to agree to a very meaningful increase.

Let me be candid, Mr. Chairman. Revenue-sharing, relocation, even contraction by themselves will not solve all of the economic problems besetting baseball absent some form of salary restraint.

Chairman SENSENBRENNER. Mr. Selig, 2-minute warning.

Mr. SELIG. Okay. Again, the owners share revenue now and are prepared to do more, but the union has indicated no willingness to provide any salary restraint. We did have a luxury tax under the last collective bargaining agreement, and the form of tax urged by the blue ribbon panel should be acceptable to the union.

Again, I am disappointed that we haven't done this, and—but I am very hopeful that in the future, instead of opposing revenue-sharing, salary restraint, that we will solve those problems and not just maintain the status quo, which is unacceptable.

Let me now turn to H.R. 3288, introduced by Congressman Conyers, that would partially repeal baseball's antitrust exemption. With all due respect, the bill would not be helpful to baseball or its fans in any way. With a partial removal of the exemption contemplated in the bill, the franchise stability that I have referred to and baseball has worked so long and hard to achieve would be severely undermined. Middle-of-the-night relocations of baseball in the past that we have been able to prevent might occur in the future. If such a law had been in effect during the 1990's, several cities may have lost their teams. These teams would have left smaller markets and joined larger markets that already have one or more clubs.

In addition, the bill as drafted creates doubt as to how far the removal of the exemption is meant to go. In 1998, we worked closely with the union and with Congress to craft a carefully worded change to our exemption in the area of labor relations. All parties at that time believed the change created the right balance for the exemption. The wording of this bill could be read to shed doubt on the exemption's applicability to such areas as minor league players, the amateur draft, expansion and others.

To those who say the bill is a response to baseball's decision to contract, it must be understood that baseball's decision to contract is intended to advance the interests of long-term franchise stability. It is preferable baseball solve its franchise problems in a coordinated and carefully thought out way. Baseball's contraction is one very important piece to solving the economic puzzle, and Congress should not react by exacerbating the problem.

I thank you for the opportunity to appear before you today. I request that a copy of my remarks, my written submissions to you, be made a part of the official record of this hearing.

[The prepared statement of Mr. Selig follows:]

PREPARED STATEMENT OF ALLAN H. (BUD) SELIG

Mr. Chairman, my name is Allan H. Selig and I currently serve as the Commissioner of Baseball. Prior to being elected as Commissioner in 1998, I served as Chairman of the Major League Executive Council for six years. I appreciate the opportunity to testify before you today on matters that are of concern to this Committee, to those of us in Baseball and to our fans. I appear today for the particular purpose of addressing H.R. 3288, a bill that would partially remove Baseball's antitrust exemption. The bill was apparently introduced as a response to Baseball's recent decision to contract by two teams. In order to address the bill fully, it will be helpful for me first to speak more broadly about the state of our industry.

When I was elected Commissioner on July 9, 1998, I pledged to concentrate on two areas that were especially troubling to our clubs: competitive balance on the field and the economic stability of the clubs and Baseball as a whole. As part of the examination of these problems, I formed a Blue Ribbon Panel on Baseball Economics and named four independent members with the highest qualifications and reputations for integrity: Richard Levin, a brilliant economist and the president of Yale University; George Mitchell, former lawyer, judge and Senate majority leader, to whom in recent years the U. S. government has entrusted some of the nation's most difficult and important problem-solving missions; Paul Volcker, also an accomplished economist and the former chairman of the Federal Reserve Board; and George Will, the highly respected author and Pulitzer Prize winning journalist who has written extensively on baseball.

For fifteen months, the Blue Ribbon Panel studied Baseball's then current economic system. The Panel was given unfettered access to all of the books and records of Baseball and the individual clubs. It left no stone unturned. It had numerous meetings with groups of owners. Player union head Don Fehr and his associates appeared at one formal session and members of the Panel had other discussions with the union.

The report of these four panel members was released in July 2000 and was unequivocal. It concluded that Baseball's economic system is broken. It concluded that Baseball has severe competitive balance problems that are threatening the game and that are caused by large and growing club revenue disparities and payroll disparities. The report demonstrated beyond dispute that there was a direct relationship between revenues and payrolls on the one hand and a club's on-field performance on the other. It showed that only the top spending teams had any appreciable chance of reaching the World Series, much less winning it. The disparity had become so severe that teams that spent below the industry average on player payroll had not won a single postseason game in the five years studied in the report, 1995–1999, a total of 158 games. *Let me repeat—for a five year period, and over 158 games, not a single postseason game was won by a team in the bottom half of the payrolls in the industry.* Clearly, numerous teams and their fans were beginning spring training each year with little or no hope or faith that their teams could reach the postseason.

Although not the focus of the report, the report also showed extensive operating losses for the vast majority of Major League clubs between 1995 and 1999. Over those five years, only three teams—ten percent of the industry—the New York Yankees, the Colorado Rockies, and the Cleveland Indians, were profitable. During that five-year period, on operations alone, the industry lost in excess of $1 billion.

The situation has only gotten worse since that report. Our postseason continues to be dominated by high payroll clubs, and those payrolls continue to escalate. Although there has been an occasional exception involving a lower payroll team appearing—but not advancing—in the playoffs, the payroll and performance correlation is unmistakable and powerful. Only teams that are able and willing to spend enormous sums on player salaries have any chance to win the World Series. As the attached Chart 1 shows, through the 2001 playing season, there have now been 224 postseason games in the past seven-year period. Still, no team other than in the top one-quarter of payrolls has won a single World Series game. Due to the performance of the Oakland Athletics, teams in the lower half have now won five playoff games out of 224 games, representing a mere 2%, but none has advanced beyond the first round.

And Baseball's financial losses and overall economic stability are even bleaker now than they were in the summer of 2000. Although revenues continue to grow, so do losses. As the attached Chart 2 shows, cumulative operating losses over the seven-year period have grown to almost $1.4 billion and now only two teams have been profitable on an operations basis over that period—Cleveland and the Yankees. Not surprisingly, the average payroll per club has grown from $33 million in 1995 to double that—$66 million in 2001.

In fact, even respected outside observers are concerned about our "successful clubs." For instance, just this week, the head of the Sports Group at Lehman Brothers was quoted in the *Sports Business Journal* as follows about the Cleveland Indians:

> [T]he Indians are not a basket-case franchise. They've maximized all their venue revenue. They've got a good, competitive team. They're not at the top of the payroll heap. And they're still not making money. Where does that leave most of the other clubs?

I met with all clubs last week in Chicago, and also a month ago, and we have spent many hours discussing these issues. I told the club owners last week that I would present to Congress the same numbers that our clubs have recently reviewed. Those numbers can be seen here on these charts and in the handouts distributed to the Committee. This is the first time that Major League Baseball has come to Congress with industry financial numbers as detailed as these, including individual club financial results.

Let me point out just a few of these numbers for you on the attached Chart 3 and urge that everyone take the time to study what we have presented. Although this year's audits are not yet final, the consolidated loss for all thirty clubs in 2001 will be approximately $519 million. Twenty-five clubs lost money and five made money this year. The consolidated loss from just Baseball operations will be approximately $232 million. When the net interest expense is added to this number, the loss becomes nearly $345 million.

The interest I speak of relates predominantly to debt that is staggering in its proportions. The total industry debt is currently over $3 billion, as shown on Chart 4. If you add deferred compensation and future, guaranteed obligations to players, that number *approaches $8 billion*. Needless to say, those numbers are the highest in Baseball history, and, incredibly, they are still growing rapidly. Two of Baseball's bankers spoke to the clubs at our meeting last week and underscored the severity of this situation.

I have read that the union and its economists will be skeptical about these numbers. Well, I am here to tell this Committee that the union has had these numbers, that these numbers have been audited repeatedly, and that the union has represented that it accepts the veracity of the numbers we have presented. The union has had club financial data since the mid-1980's. Since 1985, the clubs have provided the union with audited financial statements from each club, uniform financial questionnaires prepared by each club and the industry's consolidated financial statements. Since 1997, we have also provided the union with the results of the separate revenue sharing audits that are done of each club's books each year by Pricewaterhouse Coopers. Finally, the union has the right under our collective bargaining agreement to conduct is own audit of any of the Clubs' revenues. It has never done so. As part of my submission, I have provided three pages describing the financial information that has been presented to the union.

The idea that somehow what I have presented today is not an accurate picture of the industry's economics is sheer nonsense. It is disappointing that union head Fehr is not here to verify my statements, but anyone who would state otherwise is just plain misinformed or is engaging in deliberate misstatement.

In examining Baseball's competitive and financial issues, it has become clear that no single measure will solve the industry's overall problems. The owners recognized that in January, 2000 when they concluded by resolution passed by a 30–0 vote that the industry did not currently have sufficient competitive balance and directed me to take action to correct the problem.

It has also become clear that there are clubs that generate so little in local revenue that they have no chance of achieving long-term competitive and financial stability, as shown on Chart 5. This conclusion holds true even under some of the most aggressive revenue sharing models which are being contemplated. Revenue sharing alone will not enable certain clubs to be viable over the long term. Furthermore, we have closely monitored the prospects of increasing local revenues in each of these markets through new facilities, lease enhancements, or other forms of public support. In certain cases, the public has spoken loud and clear that additional support is not a realistic option. As a result, despite significant efforts by the club owner, we believe certain clubs have no prospect of long-term competitiveness on the field or financial viability off the field. That is why Baseball has made the decision to contract by two teams, without having finally decided which teams they will be. Baseball has made this decision because the local revenue generated in these markets is simply insufficient to justify our continued investment in those markets. Baseball has seen significant increases in the national revenues generated for all clubs, but for a team to survive today it must also generate adequate local revenues. As you saw from the numbers, we have one team that receives 80% of its total revenues from Central Baseball and others that receive more than 50%. To generate sufficient local revenues, each club must have an acceptable home ballpark and sufficient market support. Jerry Bell, the president of the Minnesota Twins, will also testify today and, I understand, will emphasize the importance of having a satisfactory home ballpark. I am proud to say that 18 cities and Clubs have entered into partnerships of different dimensions over the past 15 years to build fan-friendly facilities that would generate sufficient revenues to allow their teams to compete. Others are under development.

Much has been written and said on the subject of contraction since I announced it a month ago today, and much is simply wrong. As an example, Baseball has been criticized for supposedly proceeding with contraction without consulting the players union. Nothing could be further from the truth. We first broached the subject of contraction with union leaders early this year and continued to discuss it with them throughout this year. We made it very plain to the union that contraction was a distinct possibility and that we would soon engage in bargaining over the effects of contraction, which is our responsibility to do under the labor laws, and which we have now begun. The union has clearly been kept informed that contraction was an option we were considering. Any confusion on the part of the players' union is attributable solely to the fact that, throughout the year, no final decision on contraction had been made.

It has also been said that Baseball should not contract its troubled franchises but should relocate them. We have looked at the possibility of relocation and have not ruled it out in the near future. It is not, however, an immediate answer to the problems we are trying to solve. In weighing various relocation possibilities, it became clear to us that moving a club during this offseason, given our current industry economic environment, would merely be substituting one problem for another problem. Again, although we are very proud that no clubs have moved for thirty years, we may well find that relocation can become one part of our overall solution in the near future. But it is not the answer to any problems we are facing this year.

Members of this august body and the press have said that Baseball needs to share more local revenue. Governor Ventura has said many times that Baseball needs to get its house in order by having more revenue sharing and some form of salary restraint. Let me address both those points. First, Baseball shares much more revenue now than many of you and many of our fans seem to realize. This year, approximately $167 million in local revenue will be directly sent from the top clubs to the bottom revenue clubs. In addition, more than $700 million in national revenues are divided equally among the thirty teams. The $167 million is the highest level of local revenue sharing that Baseball has ever had and is four times more than we had only five years ago. But we fully agree—repeat, fully agree—that we should be sharing more local revenue. Our clubs are willing to do this. It must, however, be negotiated with the players union, which has resisted substantial increases in revenue sharing. *Let me repeat, the owners want to share more revenues and the union has been unwilling to agree to a meaningful increase.* Despite this resistance, we will persist in attempting to achieve greater local revenue sharing in our upcoming negotiations with the union.

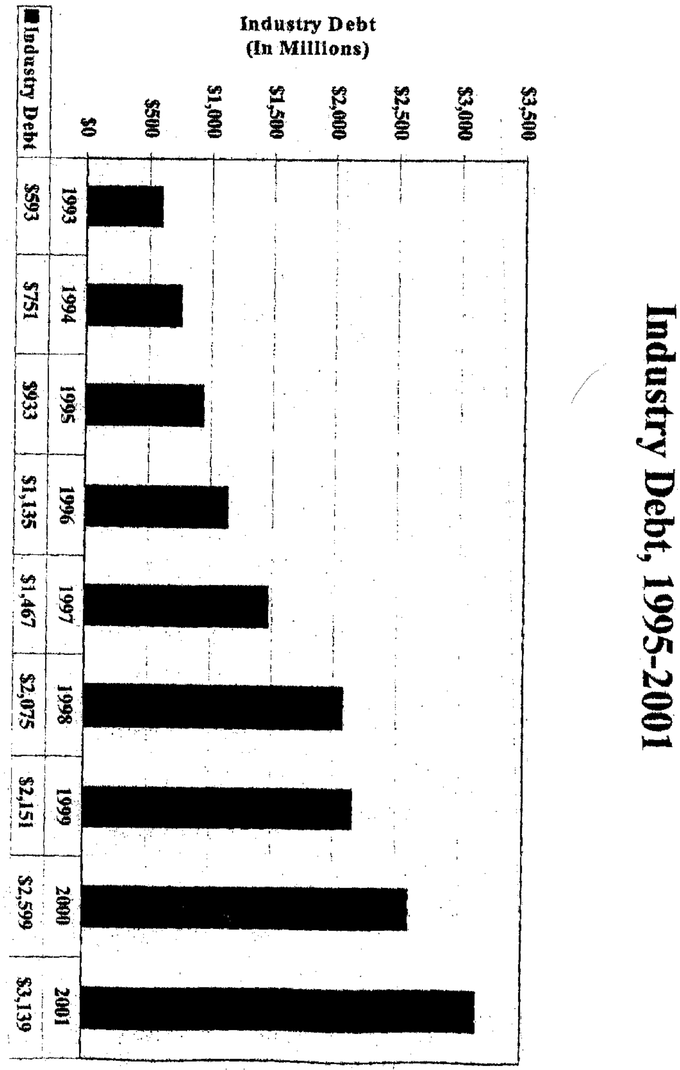
Let me be candid, Mr. Chairman. Revenue sharing, relocation, even contraction by themselves will not solve all of the economic problems besetting Baseball. It is absolutely true that we also need some form of salary restraint. Football has it and has been able to achieve both financial stability and competitive balance in a system that allows Green Bay to compete on an equal playing field with a New York or a Chicago. The NBA has restraint to a lesser extent but certainly much more than Baseball has been able to achieve. I read regularly that what our sport needs is revenue sharing from the owners and salary restraint from the union. Again, the owners share revenue now and are prepared to do more, but the union has indicated no willingness to provide any salary restraint. While I am pragmatic enough to understand that we cannot achieve a hard salary cap without a prolonged strike, we did have a luxury tax under the last collective bargaining agreement, and the form of tax urged by the Blue Ribbon Panel should be acceptable to the union. Despite the union's rhetoric, a luxury tax is not a salary cap or "cap-like". This was clearly demonstrated by the luxury tax which existed for three years under our current collective bargaining agreement. That tax had no discernible impact on the growth in player salaries and did little or nothing to close the competitive balance gap. Again, I am disappointed that union leader Fehr is not here to offer his reasons for opposing contraction, opposing revenue sharing, opposing salary restraint, and, seemingly, offering nothing to solve the problems except the status quo.

Let me turn now to H. R. 3288, introduced by Congressman Conyers, that would partially repeal Baseball's antitrust exemption. With all due respect, the bill would not be helpful to Baseball or its fans in any way. With the partial removal of the exemption contemplated by the bill, the franchise stability I have referred to and that Baseball has worked so long and hard to achieve could be severely undermined. Middle-of-the-night relocations that Baseball has in the past been able to prevent might occur in the future. If such a law had been in effect during the 1990s, several cities might very well have lost their teams. Those teams would more than likely have left smaller markets and joined larger markets that already have one or more clubs.

In addition, the bill as drafted creates doubt as to how far the removal of the exemption is meant to go. In 1998, we worked closely with the union and with Congress to craft a carefully worded change to our exemption in the area of labor relations. All parties at the time believed that the change created the right balance for the exemption. The wording of this bill could be read to shed doubt on the exemption's applicability to such areas as Minor League players, the amateur draft, expansion and others. More important, it could upset the delicate legislative balance created in 1998. Again, the bill cannot be viewed as helpful in any way to the Major Leagues, the Minor Leagues or fans of either.

To those who say that the bill is a response to Baseball's decision to contract, it must be understood that Baseball's decision to contract is intended to advance the interests of long-term franchise stability. It is better that Baseball solve its franchise problems in a coordinated and carefully thought out way than that individual clubs take matters into their own hands, or that local officials pursuing parochial interests file frivolous lawsuits under the cover of federal and state antitrust laws. As I explained earlier, Baseball's contraction is one very important piece to solving the economic puzzle. Congress should not react by exacerbating the problem.

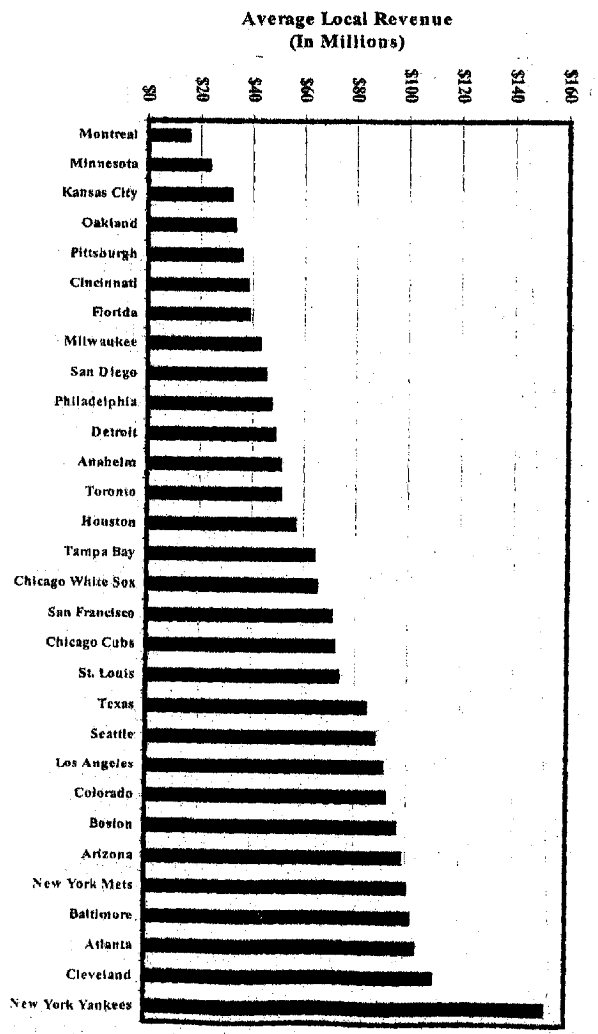
Again, Mr. Chairman, I thank you for the opportunity to appear before you today and to address these important issues. I request that a copy of my remarks and my written submissions to you be made a part of the official record of this hearing.



Cumulative Operating Income (Loss) by Club 1995-2001 (Dollars in Thousands)

Club	Cumulative Total
Anaheim	($99,873)
Arizona	(100,738)
Atlanta	(54,423)
Baltimore	(27,926)
Boston	(21,925)
Chicago Cubs	(31,946)
Chicago White Sox	(42,127)
Cincinnati	(21,196)
Cleveland	39,047
Colorado	(2,194)
Detroit	(32,789)
Florida	(78,224)
Houston	(63,081)
Kansas City	(46,515)
Los Angeles	(165,146)
Milwaukee	(6,873)
Minnesota	(24,626)
Montreal	(35,945)
New York Mets	(42,025)
New York Yankees	93,626
Oakland	(40,243)
Philadelphia	(52,372)
Pittsburgh	(26,994)
San Diego	(99,039)
San Francisco	(56,149)
Seattle	(17,538)
St. Louis	(55,365)
Tampa Bay	(47,459)
Texas	(66,019)
Toronto	(153,714)
	($1,379,793)
	($45,993)

MAJOR LEAGUE BASEBALL



Average Local Revenue by Club, 1995-2001

Postseason Games Won by Payroll Quartile
1995-2001

Payroll Quartile	Total Postseason Games Won	Percent of Total
I (Highest)	184	82.1%
II	35	15.6%
III	1	0.4%
IV (Lowest)	4	1.8%
Total	224	100.0%

MAJOR LEAGUE BASEBALL

2001 Income (Loss) by Club
(Dollars in Thousands)

Club	Income (Loss) From Baseball Operations After Sharing	Income (Loss) From Operations After Sharing and Interest
Anaheim	$25	($4,953)
Arizona	(36,584)	(44,358)
Atlanta	(25,007)	(23,868)
Baltimore	(5,347)	(13,732)
Boston	(13,726)	(13,675)
Chicago Cubs	(1,771)	2,894
Chicago White Sox	(9,888)	(7,625)
Cincinnati	2,348	(285)
Cleveland	(11,373)	(14,242)
Colorado	(9,444)	(11,522)
Detroit	5,660	(10,694)
Florida	(9,180)	(10,820)
Houston	(6,399)	(9,455)
Kansas City	(137)	1,474
Los Angeles	(54,450)	(68,887)
Milwaukee	16,129	9,001
Minnesota	536	(3,791)
Montreal	(10,002)	(12,837)
New York Mets	(7,377)	(5,225)
New York Yankees	14,319	8,230
Oakland	3,407	(532)
Philadelphia	(9,113)	(9,352)
Pittsburgh	(1,202)	(5,879)
St. Louis	(6,360)	(7,322)
San Diego	(7,483)	(10,298)
San Francisco	12,692	(139)
Seattle	15,475	14,793
Tampa Bay	(10,459)	(17,880)
Texas	(24,433)	(31,249)
Toronto	(43,097)	(42,504)
Total	($232,241)	($344,732)
Amortization and Other Nonoperating Charges		(174,234)
Income (Loss) Before Taxes		($518,966)

MAJOR LEAGUE BASEBALL

Chairman SENSENBRENNER. Without objection, all of written submission by the witnesses will be made a part of the record following each of their testimony.

Governor Ventura.

TESTIMONY OF THE HONORABLE JESSE VENTURA, GOVERNOR OF MINNESOTA

Governor VENTURA. Mr. Chairman, Members of the Committee, and those special members of the Minnesota congressional delegation that are our special guests today at the Committee hearing, thank you for this opportunity to speak on behalf of the millions of baseball fans across America, and specifically on behalf of the Minnesota Twins fans.

This past July, I turned 50 years old. In those 50 years I bet I have been told a thousand times that, quote, life is not fair. I am sure my schoolmates on the playground told me that life wasn't fair. My mother, my father and my teachers have all lamented that, "life isn't fair."

Well, I am here today to tell you that in spite of all of that advice, I think life should be fair. In this great democracy, I think it is the responsibility of the governing bodies like Congress to make every effort to ensure that life is as fair as it can be. And when people make decisions that are not fair, there ought to be consequences.

As you know, besides being Governor, I have a reputation of being a fairly successful entrepreneur. I have been successful in my business career, because I live in a country that has provided me with the opportunity to be successful. The fact is, I wasn't given any special favors along the way. I had to do it under the same laws and the same regulations as every other entrepreneur in this country. That is only fair.

Imagine for a minute that the American Association of Cell Phone Manufacturers met in Chicago last week, and at the meeting 30 of the largest manufacturers got together for cocktails to identify which of them they could buy out and close down in order to reduce the output of their product and maximize the profitability of the remaining manufacturers. Good idea, right?

But of course we all know that eventually their strategy would fail. It would fall because, first of all, their conspiracy would very likely be in violation of the Sherman Antitrust Act, and in an act of fairness to all entrepreneurial Americans, the government would remedy the situation, right? Or maybe if the government failed to remedy the situation, energetic young entrepreneurs would start up new manufacturing companies, through increased competition, driving prices down and choices for cell phones up.

That is the way it works here in America, right? Except for baseball. If baseball is your business, and I emphasize business, you can meet in Chicago, conspire to control output of your product in order to maximize profits, and it is perfectly legal.

That is not fair, and I think you ought to do something about it. In 1922, when the United States Supreme Court decided Major League Baseball was a sport, and not interstate commerce, perhaps it was a sport. But today Major League Baseball is a self-regulating billion-dollar monopoly. Major League Baseball is really no different than OPEC. It controls supply, and it controls price, with absolutely no accountability. The simple, logical and common-sense fact is that Major League Baseball is a business that should be governed by the same laws as every other business.

Commissioner Selig has said that the Minnesota Twins cannot be competitive without a new stadium, and, therefore, they should be eliminated. But without more fundamental economic reforms, many teams cannot be competitive.

I cannot understand how eliminating the Minnesota Twins or any team will help the Arizona Diamondbacks draw more fans or resist the temptation to pay their players more than they can afford.

The Minnesota Twins were the first American League team to draw 3 million fans. Last season the Twins fielded a competitive team that finished second in their division and drew 1.8 million fans, 11th in the American League. The Twins' average attendance was better than the Chicago White Sox, also a competitive team, but more importantly a team with a new stadium built in 1991.

Another example of the failed logic of Major League Baseball is that the Twins drew only 1,700 fewer fans per game than the Detroit Tigers, a team from a much larger market that plays in a stadium that is only 2 years old.

Again, baseball has economic problems. I know this. Minnesotans know this, and the members of the Commissioner's Blue Ribbon Panel of Baseball Economics knew this.

In fact, if I could draw your attention to page 44, the July 2000 report of the independent members of the Commissioner's Blue Ribbon Panel on Baseball Economics, Richard C. Levin, George J. Mitchell, Paul Volker and George Will state flatly, "If the recommendations outlined in this report are implemented, there should be no immediate need for contraction."

In this kind of environment is it surprising that Minnesotans are hesitant to build a new stadium? What would it get us? A temporary fix. Minnesotans want assurances that an investment in a new ballpark would have long-term value and are frustrated by the tactics employed by the league. It makes sense for baseball to put its house in order first, before we build a new stadium.

Over the past couple of years, the government has spent hundreds of millions of taxpayer dollars to prosecute Microsoft for alleged violations of antitrust laws. Why? In light of what baseball is getting away with, it just doesn't seem fair.

In every case that has come before the Supreme Court since 1922, it has been pointed out that if Congress wants to rectify the baseball situation, it simply has to act. All you have to do is pass a law that says the Sherman Act applies to all businesses without exception, and this is all assuming baseball's exemption still exists. Our Attorney General says it doesn't, but I will let the lawyers deal with that.

It is only fair to clarify the law and make it absolutely clear that there is no exemption. Why baseball and not football? Why baseball and not basketball? This is crazy. Common sense and fairness demand that you act now, or you know that millions of dollars will be spent to litigate this issue. What a waste that would be.

As I said, I am 50 years old. The Minnesota Twins have been around for 40 of those years. Every person in Minnesota who is my age or younger has had a hometown team to root for pretty much their entire life, and that is just going to end because 30 Major League Baseball owners and one Commissioner don't have to play by the same rules as everyone else.

We teach our kids to play fair. Now we may have to explain to them why they don't have a team to root for anymore, and when they say, "but that isn't fair," we will just have to say, no, it is not.

Baseball might be a fair game, but its owners have set their own rules. It is time for that to change. Thank you.

Chairman SENSENBRENNER. Thank you, Governor.

[The prepared statement of Governor Ventura follows:]

PREPARED STATEMENT OF GOVERNOR JESSE VENTURA

Mr. Chairman, members of the committee and those members of the Minnesota Congressional delegation that are special guests of the committee today:

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I'm sure my schoolmates on the playground told me that life wasn't fair.

My mother, my father and my teachers all have lamented that "life isn't fair."

Well, I am here today to tell you that in spite of all that advice, I think life should be fair.

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And when people make decisions that are not fair there ought to be consequences.

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Right?

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And that's just going to end because 30 major league baseball owners and one commissioner don't have to play by the same rules as everyone else?

We teach our kids to play fair. Now we might have to explain to them why they don't have a team to root for anymore, and when they say, "but that isn't fair," we'll just have to say, "No, it's not. Baseball might be a fair game, but its owners have their own set of rules."

It's time for that to change.

Thank you.

Chairman SENSENBRENNER. Mr. Bell.

TESTIMONY OF JERRY BELL, PRESIDENT, MINNESOTA TWINS

Mr. BELL. Thank you, Mr. Chairman.

My name is Jerry Bell. I have served as president of the Minnesota Twins baseball club since 1987. I appreciate the opportunity to testify before the Committee today about issues of grave concern to you, to the fans of Minnesota, and to all baseball fans who grew up believing the home team always has a chance to win the World Series.

The specific crisis at hand today may be contraction, but the larger issue is what brought us to this possibility. Anyone who has closely followed the economics of the game over the past 10 years cannot be too surprised. If you would like to see a road map describing how the economics of the game are spoiling the competition, just check the record of the Minnesota Twins.

We won world championships in 1987 and 1991, the last so-called small market club to do so. During those years we were at the industry average in revenues and payroll. Since that time, we have dropped far below the industry average. With local club revenues now averaging about $95 million annually, up from 50 million in 1996, Minnesota trails the average by some $63 million.

Without those local revenues we absolutely cannot reasonably compete on a consistent basis with industry payroll averages of $70 million annually. As evidence of that fact, the Twins had 2 competitive years in the last 10. Even last season with the Twins enjoying our first winning season in 9 years and an increase in attendance of 700,000, the club still ranked 29th out of 30 teams in local revenues. In fact, over the past 5 years the Twins have ranked next to last in local revenues. During that same period of time, some 58 percent of the overall Twins revenue has come from Major League Baseball, either from the general fund or from revenue-sharing.

The only way to generate sufficient local revenue to compete is with a suitable ballpark. We do not have a suitable ballpark in Minnesota. Including different iterations of various plans, there have been two dozen different new ballpark plans introduced in Minnesota over the past 5 years aimed at resolving the Twins' local revenue disparity, but in 17 different Committee or floor votes in the legislature and in local communities, the measures have been denied.

The Minnesota Twins and I, Mr. Chairman, have been supportive of Commissioner Selig's attempt to reform and restructure Major League Baseball's economic system. We have supported more revenue-sharing. We have supported efforts to place more restraint on payroll. We have argued for and tried to practice economic sanity. We do not currently participate in an economic system where fiscal responsibility is rewarded. If we attempt to keep our expenses within our revenues, we are criticized for being cheap, attendance declines, television revenues go down with the ratings, and the owner is castigated for not contributing to the ills of the game.

If we spend beyond our means in an attempt to reverse the cycle, we only drive the franchise and all of baseball deeper in debt and merely cover up the nature of the deeper-seated economic woes.

The Minnesota Twins and I do not enjoy the position that we are in, and neither do our fans. We have not enjoyed our position for the past 10 years now, and it is getting no better.

We respect that Major League Baseball has an obligation, however, to make the game competitive. We have tried to meet the challenge locally, as most other clubs and communities have in the past decade, but we have been unsuccessful.

Mr. Chairman, people who love the game of baseball, as I do, believe fans in every market deserve a chance to hope that their team has a consistent chance to win. The biggest challenge we have today is to determine how we can restore that hope. Without a new economic system for the game, or without prospects for improving local revenues, clubs like the Minnesota Twins can no longer make that hope possible.

Mr. Chairman, I would only like to add that with the utmost respect, those of us in Minnesota feel the 1991 World Series was the best World Series ever played, culminating with Jack Morris pitching a 10-inning shutout in the 7th game. Thank you, sir.

[The prepared statement of Mr. Bell follows:]

PREPARED STATEMENT OF JERRY BELL

MR. CHAIRMAN, MY NAME IS JERRY BELL AND I HAVE SERVED AS PRESIDENT OF THE MINNESOTA TWINS BASEBALL CLUB SINCE 1987. I APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE THE COMMITTEE TODAY ABOUT ISSUES OF GRAVE CONCERN TO YOU, TO THE FANS OF MINNESOTA, AND TO ALL BASEBALL FANS WHO GREW UP BELIEVING THE HOME TEAM ALWAYS HAS A CHANCE TO WIN THE WORLD SERIES. I'M HERE TODAY TO TELL YOU THAT ALL TEAMS DO NOT HAVE THAT CHANCE, AND THE REASON THEY DON'T HAVE THAT CHANCE IS THAT THE CLUBS OF MAJOR LEAGUE BASEBALL ARE CURRENTLY PARTICIPATING IN AN ECONOMIC SYSTEM THAT DOES NOT WORK.

THE SPECIFIC CRISIS AT HAND TODAY MAY BE CONTRACTION. BUT THE LARGER ISSUE IS WHAT BROUGHT US TO THIS POSSIBILITY. ANYONE WHO HAS CLOSELY FOLLOWED THE ECONOMICS OF THE GAME OVER THE PAST 10 YEARS CANNOT BE TOO SURPRISED. WITHOUT THE REFORMS WE HAVE NEEDED FOR YEARS THERE ARE NOT MANY ALTERNATIVES.

IF YOU WOULD LIKE TO SEE A ROAD MAP DESCRIBING HOW THE ECONOMICS OF THE GAME ARE SPOILING THE COMPETITION, JUST CHECK THE RECORD OF THE MINNESOTA TWINS. WE WON WORLD CHAMPIONSHIPS IN 1987 AND 1991; THE LAST SO-CALLED SMALL MARKET CLUB TO DO SO. DURING THOSE YEARS WE WERE AT THE INDUSTRY AVERAGE IN REVENUES AND PAYROLL.

SINCE THAT TIME WE HAVE DROPPED FAR BEHIND THE INDUSTRY AVERAGE. WITH LOCAL CLUB REVENUES NOW AVERAGING ABOUT $95 MILLION ANNUALLY—UP FROM $50 MILLION IN 1996, MINNESOTA TRAILS THE AVERAGE SOME $63 MILLION. WITHOUT THOSE LOCAL REVENUES WE ABSOLUTELY CANNOT REASONABLY COMPETE ON A CONSISTENT BASIS WITH INDUSTRY PAYROLL AVERAGES OF $70 MILLION ANNUALLY.

AS EVIDENCE OF THAT, THE TWINS HAVE HAD TWO COMPETITIVE YEARS IN THE LAST TEN. EVEN LAST SEASON, WITH THE TWINS ENJOYING OUR FIRST WINNING SEASON IN NINE YEARS AND AN INCREASE IN ATTENDANCE OF 700,000; THE CLUB STILL RANKED 29TH OUT OF 30 TEAMS IN LOCAL REVENUES.

OVER THE PAST FIVE YEARS THE TWINS HAVE RANKED NEXT TO LAST IN LOCAL REVENUES. DURING THE SAME PERIOD OF TIME SOME 58 PERCENT OF THE OVERALL TWINS REVENUE HAS COME FROM MAJOR LEAGUE BASEBALL, EITHER FROM THE GENERAL FUND OR REVENUE SHARING.

THE ONLY WAY TO GENERATE SUFFICIENT LOCAL REVENUE TO COMPETE IS WITH A SUITABLE BALLPARK. WE DO NOT HAVE A SUITABLE BALLPARK IN MINNESOTA. INCLUDING DIFFERENT ITERATIONS OF VARIOUS PLANS, THERE HAVE BEEN TWO DOZEN DIFFERENT NEW BALLPARK PLANS INTRODUCED IN MINNESOTA OVER THE PAST FIVE YEARS AIMED AT RESOLVING THE TWINS' LOCAL REVENUE DISPARITY, BUT IN 17 DIFFERENT COMMITTEE OR FLOOR VOTES IN THE STATE LEGISLATURE THE MEASURES HAVE BEEN DENIED.

THAT LEAVES THE TWINS WITH THE REALITY OF A BAD BASEBALL FACILITY, A BAD LEASE, THE SECOND WORST RECORD FOR LOCAL REVENUE GENERATION, THE SECOND WORST SUBSIDY SITUATION WITHIN MLB, AND A TEAM THAT HAS BEEN COMPETITIVE ONLY 20 PERCENT OF THE TIME IN TEN YEARS. ON TOP OF THAT WE ALSO HAVE NO CURRENT, REAL PROSPECTS FOR MEETING OUR LOCAL REVENUE RESPONSIBILITIES. I DON'T LIKE OUR POSITION BUT I HAVE A DIFFICULT TIME DENYING IT.

THE MINNESOTA TWINS, AND I, MR. CHAIRMAN, HAVE BEEN SUPPORTIVE OF COMMISSIONER SELIG'S ATTEMPTS TO REFORM AND RESTRUCTURE MAJOR LEAGUE BASEBALL'S ECONOMIC SYSTEM. WE HAVE SUPPORTED MORE REVENUE SHARING. WE HAVE SUPPORTED EFFORTS TO PLACE MORE RESTRAINT ON PAYROLL. WE HAVE ARGUED FOR, AND TRIED TO PRACTICE, ECONOMIC SANITY.

WE DO NOT CURRENTLY PARTICIPATE IN AN ECONOMIC SYSTEM WHERE FISCAL RESPONSIBILITY IS REWARDED. IF WE ATTEMPT TO KEEP OUR EXPENSES WITHIN OUR REVENUES, THEN WE ARE CRITICIZED FOR BEING CHEAP, ATTENDANCE DECLINES, TELEVISION REVENUES GO DOWN WITH THE RATINGS, AND THE OWNER IS CASTIGATED FOR NOT CONTRIBUTING TO THE ILLS OF THE GAME.

IF WE SPEND BEYOND OUR MEANS IN AN ATTEMPT TO REVERSE THE CYCLE, WE ONLY DRIVE THE FRANCHISE AND ALL OF BASEBALL DEEPER INTO DEBT AND MERELY COVER UP THE NATURE OF THE DEEPER SEEDED ECONOMIC WOES.

MOST OF THE PROPOSED INDUSTRY REFORMS CANNOT BE MADE UNILATERALLY, HOWEVER, AND THAT LEAVES HARSHER REMEDIES. THE TWINS HAVE A DIFFICULT TIME ARGUING AGAINST THE NEED FOR INDUSTRY CONTRACTION, EVEN THOUGH WE CERTAINLY UNDERSTAND THAT WE ARE VULNERABLE TO IT.

THE MINNESOTA TWINS AND I DO NOT ENJOY THE POSITION WE ARE IN, AND NEITHER DO OUR FANS. WE HAVE NOT ENJOYED OUR POSITION FOR TEN YEARS NOW AND IT IS GETTING NO BETTER. WE RESPECT THAT MAJOR LEAGUE BASEBALL HAS AN OBLIGATION, HOWEVER, TO MAKE THE GAME COMPETITIVE. WE HAVE TRIED TO MEET THE CHALLENGE LOCALLY, AS MOST OTHER CLUBS AND COMMUNITIES HAVE IN THE PAST DECADE, BUT WE HAVE BEEN UNSUCCESSFUL.

MR. CHAIRMAN, PEOPLE WHO LOVE THE GAME OF BASEBALL, AS I DO, BELIEVE FANS IN EVERY MARKET DESERVE A CHANCE TO HOPE THAT THEIR TEAM HAS A CONSISTENT CHANCE TO WIN. THE BIGGEST CHALLENGE WE HAVE TODAY IS TO DETERMINE HOW WE CAN RESTORE THAT HOPE. WITHOUT A NEW ECONOMIC SYSTEM FOR THE GAME OR WITHOUT PROSPECTS FOR IMPROVING LOCAL REVENUES, HOWEVER, THE RECORD WILL SHOW THAT CLUBS LIKE THE MINNESOTA TWINS CAN NO LONGER MAKE THAT CONSISTENT HOPE POSSIBLE.

Chairman SENSENBRENNER. If the Chair can make a personal observation. The Chair is a professional Yankees hater, and that is why he made the statement at the beginning of the hearing.

Mr. Fehr.

TESTIMONY OF STEVEN A. FEHR, MAJOR LEAGUE BASEBALL PLAYERS ASSOCIATION

Mr. FEHR. Thank you.

Mr. Chairman, Representative Conyers, Members of the Committee, my name is Steven Fehr. I am outside counsel for the Major League Baseball Players Association. I am not just pleased, but honored to be here. We want to help the Committee in any way that we can.

Mr. Chairman, in particular I thank you for your patience in working with us on who would be representing us today. I am sorry that Don Fehr, the executive director of the union, my brother, cannot be here today. He is at the players' annual executive board meeting being held near Dallas. I flew in late last night. In any year, this is the most important week for someone who holds his job, and in a bargaining year that is even truer. He would be eager to testify in the future if you so wish.

The players fully support the FANS Act of 2001. In our view, there is no reason why baseball cannot comply with the antitrust laws just like every other industry and sport. There is, I should say, as the Governor indicated, strong reason to believe that perhaps MLB is already covered under the antitrust laws, given the decisions in the *Piazza* case out of the Federal Court in Pennsylvania, and the *Butterworth* case out of the Supreme Court of Florida, although we must acknowledge that there is a contrary decision out of, oddly enough, Minnesota.

But passing this bill would remove all doubt that baseball is subject to the antitrust laws. It would also remove a potential defense that would have to be litigated. The FANS Act would simply put cities, States and fans who think they have been injured by acts such as contraction in the same position they would be if they had a potential claim against any other industry or sport. What could be fairer than that? After all, that is what Congress did for the players when it passed the Curt Flood Act in 1998. In our view, Congress should do no less for cities, States and fans.

As for contraction, the players oppose it. We hope the clubs will back off and consider other alternatives, including relocation. There is, in my opinion, one obvious short-term compromise that makes sense, and that would be leave the Twins where they are for now, and if the Expos truly cannot make it in Montreal, let them move to Washington or Northern Virginia and see if they can make it here.

In more than 30 meetings we held with the owners' representative this year, the subject of contraction did occasionally come up. We told them in essence that in our view it was a very bad idea, and we hoped that they would explore other alternatives. On September 19th, the clubs' chief negotiator indicated to us that contraction was highly unlikely for 2002. But on November 4th, just before game 7 of the World Series, we were informed for the first time that baseball would announce in 2 days that it intended to eliminate two teams effective immediately, all details, however, including the identity of the teams, to be determined.

The clubs have often bargained the effects of contraction with the players, but not the fact of contraction, and those effects are being felt throughout the country and in Canada now.

As for collective bargaining, Mr. Chairman, we hoped that this year would be different than what we have seen in the past. Indeed, the parties held more than 24 private meetings from March through June. We thought we were making progress. On June 26th, the players made a proposal regarding revenue-sharing, one of central issues. The clubs' negotiators described our proposal as positive and a step forward and indicated that they would respond to that proposal the next day. The next day they were not ready, and we still have not received a response to that proposal.

As for baseball's economics, we have received data under a confidentiality agreement, and we have analyzed that data. We have learned that the problem is not—often not the numbers on the page, but the numbers not on the page.

When the Commissioner announced that he was going to put it all on the table and there would be no secrets, we assumed that we would be able to discuss the data that we have with the Committee. However, we have been informed if we share such information with the Committee, we will be sued. We will be happy to provide any information or analysis requested by the Committee if the Commissioner will lift the gag. We have this information. We think the Committee should as well.

Finally, we hoped we would not be here today in a hearing like this. The private bargaining sessions held earlier this year had a different and more positive feel. We had an historic season in baseball, and I thought the industry played a small role in helping the

Nation begin to heal in the aftermath of September 11th. So many players publicly acknowledged that they were not the true heroes. We had those great playoffs and that magical World Series. But, unfortunately, 2 days later much of that feeling was lost. Already the World Series seems like a long time ago. I hope we can bring baseball back to where it was when game 7 ended.

Thank you, and I am prepared to answer any questions.

Chairman SENSENBRENNER. Thank you very much, Mr. Fehr.

[The prepared statement of Mr. Fehr follows:]

PREPARED STATEMENT OF DONALD M. FEHR

Mr. Chairman, Representative Conyers, and Members of the Committee, I regret that I am unable to attend and testify at today's hearing. As I have explained to the Chairman, this week is the annual meeting of the Executive Board of the Major League Baseball Players Association (MLPA). This year the meeting is being held near Dallas. In an ordinary year, the week of the Board meeting is the most important week for someone who holds my position. In a collective bargaining year (like this one), that is even more true.

The Commissioner's announcement of "contraction" has complicated the timing of the hearing overwhelmingly. The Players Association has filed a grievance contending that the owners' effort to "contract" violates our collective bargaining agreement (the "Basic Agreement"). The trial of that case will begin this week, during, and at the site of, the Board meeting. Consequently, I am unable to be with you today, but I would be happy to submit written answers to any questions the Committee may have for me. I would also be available to testify at a future hearing, of course.

It was my hope that baseball would bring an end to what may be the record for consecutive collective bargaining related work stoppages. Frankly, the level of civility between the central offices of Major League Baseball and the Union over the last few years has been as good as I can remember. Following the tragic events of 11 September, I was pleased and impressed with baseball's response. It was heartening to think, particularly during a thrilling World Series, that the symbolism of the national pastime, combined with some of the most exciting and unpredictable play-off games in the sport's history might play a very small part in the nation's return to a more routine existence. But that feeling quickly passed with MLB's announcement of 6 November. Suddenly baseball was again in the news not for the best of reasons, but once more the worst. How could the Commissioner characterize the announcement that millions of fans would be deprived of their teams as a good day for baseball? How could such an announcement be made without identifying the teams to be contracted, that is, eliminated? And what does this portend for collective bargaining and the possibility of avoiding another work stoppage? Troubling questions all, and surely to many the World Series already feels like it happened a long time ago. So I must admit to some surprise and disappointment that the Committee must concern itself with baseball at this time. But, as was noted by one of the bill's sponsors, Congress did not pick the time.

"NO SECRETS"

As did many others, I learned through press reports that Mr. Selig planned to use this hearing to open the books and (supposedly) end any dispute about the accuracy of the owners' claims to great financial losses. Indeed, the account I read went so far as to quote him as saying there would "be no secrets." Like many, I was encouraged by this announcement. On the basis of those assertions, I wrote to MLB's counsel, explaining that, given the intent to release all the economic data, I believed the MLBPA was accordingly released from any pledges of confidentiality with respect to the same underlying data. I had hoped with such a release that we would be able to assist the Committee and the public in its analysis of the owners' financial representations.

Unfortunately, we have been informed that the owners contend that the confidentiality provisions remain in effect and the Players Association will be sued if any of its representatives releases or discusses any information that Major League Baseball believes is confidential. As a result, while the owners will use their data and their accounting methodology to explain the financial position of each of the 30 teams and the MLB to the Committee, the Players Association, for now at least, is hamstrung and will speak about this data only in generalities. As a result, we suspect that the Committee's ability to analyze whatever it receives from MLB will be severely hampered, as well.

Although I believe our analysis of the owners' data by the Association would have been of interest to the Committee, fortunately, it has no significant relevance to the public policy question before the Committee, i.e. should the antitrust laws apply to baseball decisions on relocation and elimination of teams to the same extent they apply to football, basketball and hockey? A similar question was asked regarding the application of the antitrust laws to baseball with respect to its relationship with players. Congress answered in the affirmative when it passed the "Curt Flood Act of 1998." In fact, H.R. 3288 is patterned after the "Curt Flood Act" insofar as it limits its clarification of the law to one area of cartel behavior.

The answer to this key question is simple. The application of the antitrust laws to MLB would not deprive the owners of control over their franchises; it would only permit review of exercise of that control to ensure the decisions were not unreasonably anticompetitive.

Data of the sort, which may be offered by Mr. Selig today, might be germane to an antitrust action as part of a defense to an antitrust claim. The question before the court in an action alleging a violation of the antitrust laws in the elimination of a team would be whether the action of the owners was unreasonably anticompetitive. Perhaps the data that Mr. Selig is presenting to the Committee would convince a judge or jury that the action in eliminating one or more of the teams currently speculated about was not unreasonably anticompetitive. Other industries, including those whose structure resembles baseball, such as the NFL, NHL and NBA, understand they must be prepared to justify their actions as reasonable and have continued to thrive, notwithstanding the application of the antitrust laws.[1]

If nothing else, Mr. Selig's sharing of data concerning the operations of an industry with revenues estimated in the area of $3.6 billion, surely dispels any notion that the underlying rationale of the Federal Baseball case is still valid, if it ever was. Major League Baseball's presentation is the best evidence that the Supreme Court was correct when, at page 282 of the *Flood* case, it found that *Professional baseball is a business and it is engaged in interstate commerce.* (emphasis added.)

H.R. 3288

The MLBPA strongly supports H.R. 3288 and its Senate counterpart. It is not an overstatement to say that the owners have been sorely criticized for the action they took, to the extent it has been identified, only two days after one of the most exciting and uplifting World Series in the history of baseball. Yet with one announcement, conceived behind closed doors, with only the interests of cartel members at issue, Major League Baseball put an end to all the good will it had generated. If the owners had followed the lead of other leagues which live within the antitrust laws, and had considered all the competitive aspects of a decision regarding the elimination of teams, perhaps that good will would still be in the air, perhaps it even could carry over into collective bargaining.

Major League Baseball refuses to recognize the benefit of living with the nation's laws on competition. Accordingly, H.R. 3288 is a very worthwhile measure. It will at a minimum reduce the necessity of litigating the underlying question of whether the antitrust laws already apply to such decisions. As will be discussed below, the MLBPA, believes that the antitrust laws currently apply in full to Major League Baseball. Stated briefly, the combination of the decision of Judge Padova in the *Piazza* case[2], together with the "Curt Flood Act of 1998," compels the conclusion that MLB is subject to the antitrust laws across the board. In the *Butterworth*[3] case, the Florida Supreme Court agreed with the reasoning of the *Piazza* decision. In passing the "Curt Flood Act," which makes it clear that the antitrust laws now apply to MLB's relationships with major league players, Congress made clear that it was *not* overturning *Piazza* or *Butterworth*. The intention to leave the law as it was developing, and not to codify any alleged exemption is clear from the language of the leg-

[1] Please see the attached letter from the United States Conference of Mayors to Mr. Selig asking him to meet with the Conference to discuss the development of guidelines for relocation of team similar to those the Conference developed with the cooperation and participation of the National Football League.

[2] *Piazza v. Major League Baseball* 831 F. Supp. 420 (E.D. Pa. 1993). The Third Circuit Federal District Court for the Eastern District of Pennsylvania, in denying a motion to dismiss the Piazza case on the grounds of an antitrust exemption for relocation decisions, held that the application of the doctrine of stare devises to the case, in light of the Supreme Court's findings in the Flood case, limited the antitrust exemption to the reserve clause.

[3] *Butterworth v. National League of Professional Baseball Clubs, et al.* 644 So. 2d 1021 (Fla. 1994)

islation, the legislative history and the agreement of MLB and the Players Association in the Basic Agreement.

I have testified before this Committee and the Senate Judiciary and Commerce Committees many times over the last twenty years. I have recounted the history of the alleged exemption, judicial review of it and Congressional review of it. It does not seem necessary to review that history again, particularly when the Committee has in its possession an excellent recitation of the history of the alleged exemption. House Report 103–871, that accompanied the passage of H.R. 4994 from this Committee, fully surveys the history of the actions of the courts and Congress with respect to the alleged exemption.

When Congress passed the "Curt Flood Act," it dealt only with the relationship between the owners and the players. As Judge Padova explained in the Piazza case, applying the antitrust laws to the reserve clause was the only action necessary to put an end to the legacy of the *Federal Baseball* case. The announcement of 6 November and other recent actions of Major League Baseball and its teams, demonstrate, however, that Congress is justified in clarifying for baseball that it can no longer operate as an unregulated cartel, free from external review of its actions. This is especially appropriate when the actions are taken in violation of a lease agreement, without prior notice or a chance to respond, without consideration of relocation as an alternative and apparently as an act of extortion that can be cured only by a commitment of public funds to build a stadium for private purposes.[4]

H.R. 3288 is a much-needed message that baseball is not above the law. I believe Major League Baseball is fully subject to the antitrust laws today. But for courts, reluctant to act prior to a clarification from the Supreme Court[5], or lawmakers who consider this question of public policy under the impression that the exemption alleged by the owners continues to exist, there is more than the necessary justification to pass this legislation.

In earlier material supplied to Members of Congress, we quoted from the 1979 National Commission for the Review of Antitrust Laws and Procedures, a bipartisan commission that included Members of Congress, enforcement officials, as well as private sector representatives. In that report, the Commission made the following recommendations to the President and the Attorney General with respect to antitrust immunities:

1. Free market competition, protected by the antitrust laws, should continue to be the general organizing principle for our economy.
2. Exceptions from this general principle should only be made where there is compelling evidence of the unworkability of competition or a clearly paramount social purpose.
3. Where such an exception is required, the least anticompetitive method of achieving the regulatory objective should be employed.
4. Existing antitrust immunities should be reexamined.

The Commission went on to outline the presumptions on which a review of particular immunities should be based:

> "As mentioned at the outset, an economic system based on marketplace competition has important implications for basic American values. A preference for competition is also empirically grounded. In diverse contexts, it has been shown that competition provides an irreplaceable spur to efficiency and to diversified sources of innovation. Furthermore, in most instances competition maximizes consumer welfare . . .
>
> The Commission, therefore, starts with a strong presumption against allowing exceptions from competition and, specifically, against immunities from the antitrust laws. Although careful factual inquiry should be a prerequisite to any decision to seek repeal or modification of an immunity, *the burden of proof for purposes of the decision-making process should be on the proponents of continuing antitrust immunity to show a convincing public interest rationale for aban-*

[4] The President of the Twins, Mr. Bell, in answer to a question posed during his testimony before the Minnesota Stadium Task Force in St. Paul on November 28, 2001, stated that a commitment to build a new stadium would very likely result in an end to speculation that the Twins would be contracted.

[5] Such clarification may be long in coming. At any point in litigation where the continued validity of the antitrust exemption is in question, history suggests, the MLB will settle the case. Consider the case of the Seattle Pilots in which litigation by then Attorney General Slade Gorton was settled as the case went to the jury, resulting in the addition of the Mariners and the Blue Jays, or the decision in Piazza, in which the denial of a motion to dismiss on the basis of the antitrust exemption was quickly followed by an undisclosed settlement.

> *doning competition.* Each existing or proposed exemption should be justified in terms of empirically demonstrated characteristics of the specific industry that make competition unworkable. *The defects in the marketplace necessary to justify an antitrust exemption must be substantial and clear.*" (emphasis supplied.)

If nothing else, Mr. Selig's assertion that Major League Baseball cannot realize a profit, despite an annual revenue estimated at over $3.5 billion, a fixed number of teams, and a static percentage of revenue going to salaries, is convincing proof that monopolies never work.

Lawyerly explanations of the workings of a free market system may occasionally make sense. But what makes more sense is the simple question asked by a player before a congressional hearing leading to passage of the "Curt Flood Act." To paraphrase: "If the owners were coming to Congress now, asking for an antitrust exemption to eliminate teams and to do so when other viable markets exist, would Congress rush to enact such an exemption?" I think the answer clearly is "of course not."

In past testimony, Mr. Selig has offered two reasons for the continued need of the antitrust exemption: (1) the need to be able to prevent franchise relocations, an ability that is not dependent on an antitrust exemption; and (2) a vague reference to a catastrophic impact removal of the exemption would supposedly have on the minor leagues, which has never been clearly articulated. At best this argument sounds like if the Majors do not have total monopoly control over the minor leagues, the minors will disappear. Oddly, the minors did quite well in the earlier part of the 20th Century when they operated as more independent forms of entertainment and feeder systems for the majors.

Uncontrolled movement of teams if MLB does not have an absolute veto power has long been used as a scare tactic by MLB. Citing the case Al Davis won against the NFL, the owners seek to pit cities that have teams against those that do not, but who seek them. What MLB fails to mention is that the courts have never held that the leagues have no control over relocations, just that they must have reasonable rules in deciding when to permit a relocation. The NFL has worked with the U.S. Conference of Mayors (USCM) to develop of procedure and criteria by which to determine the appropriateness of proposed relocations. And, the USCM, by a letter dated 20 November 2001, has invited MLB to meet with them and work toward a similar agreement, attaching the agreement with the NFL as an example. I am currently unaware of any response from MLB. There is no doubt however, that the exemption has been used as a hammer to persuade otherwise unwilling venues to build new stadiums at public expense. The added and often overlooked benefit of the exemption as applied to relocations is that it permits MLB from allowing otherwise willing owners to move failing franchises into cities or regions that would otherwise result in a hefty expansion fee, shared by all owners, and leaving ready fans left to wait for expansion which is then bemoaned by sportswriters and purists as a dilution of talent.

How are Washington, D.C. and Northern Virginia being helped by the monopoly control that keeps the Montreal Expos from relocating rather than ceasing to exist? And, any allegation that the American League team in Baltimore has the right to exclude a National League team 30 miles away, depends on acceptance of a low-key merger of the two leagues in the last few years. When the NFL attempted such a merger, it felt the necessity to come to Congress and seek legislation permitting such a merger because of the antitrust laws. Apparently, major league baseball believes there is no need for congressional oversight of this sort, even when it leaves a valuable venue that the two leagues should be fighting over vacant.

Major League Baseball's continued use of the minor league system as a firewall against legislation has become an amazing story in itself. We hear "the minors will collapse"—"teams will break leases and leave small towns" etc. Never has Major League Baseball offered a concrete explanation of how or why this would happen, nor have they offered other approaches to a relationship with the minors that would be equally good for both sides.

It has been said that if contraction of Major league teams occurs this year, there will be no effect on the minors. MLB's contract with the minors—known as the Professional Baseball Agreement (PBA) has two years to run. MLB has indicated it will not "contract" the number of minor league franchises while the PBA is still in effect. But when the PBA expires, I suspect that, assuming a two team contraction at the Major league level, 12 to 16 minor league teams will as well. It should be understood, however, that it is not a given those teams will be the minor league teams associated with the two (or four) major league teams eliminated. Any minor league franchise is at risk. At the end of a contract, all minor league teams are fungible. Teams having nothing to do with the major league teams eliminated could be summarily discarded, even if their community has invested limited resources in a new stadium, required not by the minor leagues, but in reality by the major leagues. The only way minor league teams will not be reduced will be if MLB wants to carry them as the price to avoid litigation—and preserve a fire-wall.

Major League Baseball should be asked for more than recycled vagaries or cries of poverty to continue to ignore the rules of free enterprise and competition. If its situation truly is so dire, in the face of record revenues and declining player salaries as a percentage of revenue, if its numbers are to be taken at face value but it will not permit informed comment on those same numbers, MLB could hardly do worse under the antitrust laws. To argue that restraints are needed on player salaries that have gone down as a percentage of revenues, suggests, at a minimum, the need for input from other sources.

And, without getting into the whole issue of equity versus operating expenses, one need only look at the words and actions of one of the members of the "Blue Ribbon Commission" who I count among my friends, not to mention former owners clamoring to get back in the game or failing owners proposing to switch teams. If the business of baseball is so bad, why has former Senator George Mitchell reportedly joined a group bidding between $300 and $400 million for an interest of just over 50% in the Boston Red Sox?

Ironically, perhaps the best commentary on baseball's continuing plea to be kept above the law comes from another member of baseball's latest Blue Ribbon Commission, George Will. During the last round of congressional review of baseball's unique status, Mr. Will observed: "When the owners come to Congress to urge retention of the antitrust exemption, they will say: Continue to trust us to run the nation's last unpoliced cartel because we are doing so splendidly, and because repeal of the exemption would injure baseball. Can Congress legislate the repeal while being convulsed by laughter?"

I know some still make light of the attempt to strip baseball any last vestiges of the special status it claims by virtue of a thoroughly discredited 1922 Court decision. But the people of Minnesota are not convulsed in laughter, nor are those of Washington D.C. or Northern Virginia. And, had contraction been the cure of the week for what ailed baseball ten years ago, Seattle would not have won 116 games this year because it was then a small revenue market that could not carry its weight—in other words, an ideal candidate for contraction.

Baseball, like other professional sports and businesses, should be subject to the antitrust laws. There is no justification for awarding this group special status, no unique situation or predicament that would warrant such disparate treatment, nor any compelling evidence that the owners have exercised what they believe to be an exemption from the law in a manner that benefits the public interest. A review of the owners of major league baseball team is a "who's" who of creative, intelligent businessmen and women who have made billions in businesses that present them with antitrust issues everyday. Why should we think that they lose their business acumen when they buy a baseball team?

The Supreme Court made a mistake when it held that baseball was not in interstate commerce. In *Flood*, it acknowledged that mistake, but left it to Congress to remedy the wrong. The time has come for Congress to clarify, once and for all, that Major League Baseball should be subject to the same array of laws that apply to every other unregulated business or company in America.

1 Please see the attached letter from the United States Conference of Mayors to Mr. Selig asking him to meet with the Conference to discuss the development of guidelines for relocation of team similar to those the Conference developed with the cooperation and participation of the National Football League.

2 Piazza v. Major League Baseball 831 F. Supp. 420 (E.D. Pa. 1993). The Third Circuit Federal District Court for the Eastern District of Pennsylvania, in denying a motion to dismiss the Piazza case on the grounds of an antitrust exemption for relocation decisions, held that the application of the doctrine of stare devises to the case, in light of the Supreme Court's findings in the Flood case, limited the antitrust exemption to the reserve clause.

3 Butterworth v. National League of Professional Baseball Clubs, et al. 644 So. 2d 1021 (Fla. 1994)

4 The President of the Twins, Mr. Bell, in answer to a question posed during his testimony before the Minnesota Stadium Task Force in St. Paul on November 28, 2001, stated that a commitment to build a new stadium would very likely result in an end to speculation that the Twins would be contracted.

5 Such clarification may be long in coming. At any point in litigation where the continued validity of the antitrust exemption is in question, history suggests, the MLB will settle the case. Consider the case of the Seattle Pilots in which litigation by then Attorney General Slade Gorton was settled as the case went to the jury,

resulting in the addition of the Mariners and the Blue Jays, or the decision in Piazza, in which the denial of a motion to dismiss on the basis of the antitrust exemption was quickly followed by an undisclosed settlement.

THE UNITED STATES CONFERENCE OF MAYORS

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November 20, 2001

Mr. Allan H. (Bud) Selig
Commissioner of Baseball
Office of Major League Baseball
245 Park Avenue
New York, NY 10167

Dear Commissioner Selig:

On behalf of the mayors of cities with major and minor league baseball teams, we are writing to express our concerns over the recent action by Major League Baseball to eliminate, or contract, the number of major league teams.

While we recognize the need for Major League Baseball to maintain economic stability, we do believe that the proposals put forth to eliminate two teams would cause severe economic hardship to the communities as well as be a disservice to the thousands of fans in those communities.

The U.S. Conference of Mayors and the National Football League jointly developed a list of principles to govern the future relocation of any professional football team. The principles which are now part of the NFL's policies. (See Attachment A). The adopted policy includes such issues as a community notification process and agreement allowing for adequate time for submission of alternative ownership proposals. We believe that a similar set of principles can be developed with Major League Baseball regarding the contraction or movement of teams.

We also encourage Major League Baseball to adopt a stadium financing program, similar to the NFL's, which allows owners to borrow money from the League to build stadiums. (See Attachment B). Such a loan program would help foster greater public-private partnerships in future baseball stadium constructions.

We would like to meet with you to discuss how our two organizations can work together to develop a set of principles to govern contraction or relocation efforts. Failure to establish such an agreement may cause us to look at other options, including proposed federal legislation.

We look forward to meeting you to discuss our ideas and ways to develop a stronger partnership between Major League Baseball, its fans, and our cities. Tom McClimon on the Conference of Mayors staff will follow up with your office to arrange a convenient time.

Sincerely,

Marc H. Morial	Sharon Sayles Belton
Mayor of New Orleans	Mayor of Minneapolis
President	Vice-Chair on Sports

ATTACHMENT A

June 14, 1999

POLICY AND PROCEDURES FOR PROPOSED FRANCHISE RELOCATIONS

Article 8.5 of the NFL Constitution and Bylaws vests in the Commissioner the authority to "interpret and from time to time establish policy and procedure in respect to the provisions of the Constitution and Bylaws and any enforcement thereof." Set forth below are policy and procedures to apply to future League consideration, pursuant to Section 4.3 of the Constitution and Bylaws, of any proposed transfer of a club's home territory.

Article 4.3 requires prior approval by the affirmative vote of three-fourths of the member clubs before a club may transfer its franchise or playing site to a different city either within or outside its existing home territory. Article 4.3 confirms that each club's primary obligation to the League and to all other member clubs is to advance the interests of the League in its home territory. This primary obligation includes, but is not limited to, maximizing fan support, including attendance, in its home territory. Article 4.3 also confirms that no club has an "entitlement" to relocate simply because it perceives an opportunity for enhanced club revenues in another location. Indeed, League traditions disfavor relocations if a club has been well-supported and financially successful and is expected to remain so. Relocation pursuant to Article 4.3 may be available, however, if a club's viability in its home territory is threatened by circumstances that cannot be remedied by diligent efforts of the club working, as appropriate, in conjunction with the League Office, or if compelling League interests warrant a franchise relocation.

Article 4.3 also reflects the League's collective judgment that unassigned franchise opportunities (including "second franchise" opportunities in the home territory of a member club) are owned by the League's members as a collective whole and, by definition, that no club has rights to more than a single "home territory." Such collective League opportunities may be acquired by an individual club only by an assignment reflecting the consent of the

League and subject to its generally applicable voting requirements.

A. Negotiations Prior to League Consideration

1. Because League policy favors stable team-community relations, clubs are obligated to work diligently and in good faith to obtain and to maintain suitable stadium facilities in their home territories, and to operate in a manner that maximizes fan support in their current home community. A club may not, however, grant exclusive negotiating rights to a community or potential stadium landlord other than one in its current home territory.

2. All clubs, at any time during their stadium negotiations, are free to seek the assistance of the League Office and the Stadium Committee, on either a formal or informal basis. If, having diligently engaged in good faith efforts, a club concludes that it cannot obtain a satisfactory resolution of its stadium needs, it may inform the League Office and the stadium landlord or

other relevant public authorities that it has reached a stalemate in those negotiations. Upon such a declaration, the League may elect to become directly involved in the negotiations.

3. The League's policy and procedures on franchise relocation do not restrict any club's ability to discuss a possible relocation, or to negotiate a proposed lease or other arrangements, with a community outside its home territory. Nor do they restrict the ability of multiple clubs to negotiate terms of a proposed relocation with a single community.

In evaluating a proposed franchise relocation and making the business judgment inherent in such consideration, the membership is entitled to consider a wide range of appropriate factors. Each club should consider whether the League's collective interests (which include, for example, the League's television interests, the League's interest in strong and geographically distributed franchises, the League's interest in securing attractive stadium facilities in which to play its games, and the League's interest in having financially viable franchises) would be advanced or harmed by allowing a club to leave its assigned home territory to assume a League owned opportunity in another community. These collective interests generally include having clubs in the country's most populous areas, taking into account competitive entertainment alternatives, stadium options, and other factors.

Like proposed transfers to a different home territory, a transfer of a club's playing site to a different location within its home territory may also raise issues of League-wide significance. Accordingly, while these procedures apply to any proposed move to a new home territory, the Commissioner may also require that some or all of these procedures be followed with respect to a proposed move within a club's existing home territory.

B. Procedures Relating to Notice and Evaluation of the Proposed Transfer

Before any club may transfer its franchise or playing site outside its current home territory, the club must submit a proposal for such transfer to the League on the following basis:

1. The club must give the Commissioner written notice of the proposed transfer, including the date on which the proposed relocation is to become effective, and publish the notice in newspapers of general circulation within the incumbent community.
The notice must be filed no later than February 15 of the year in which the move is scheduled to occur. The League will provide copies of the notice to governmental and business representatives of both the incumbent community and the community to which the team proposes to move, as well as the stadium authority (if any) in the incumbent community (the "interested parties").

2. The notice must be accompanied by a "statement of reasons" in support of the proposed transfer. The statement must address each of the factors outlined in Part C below, and may also identify and discuss any other relevant business factors that the club believes

support its request to move. The Statement must also include all of the material noted in Appendix One.

3. With the assistance of appropriate League committees, the Commissioner will evaluate the proposed transfer and report to the membership. The Commissioner may also convene a special committee to perform factfinding or other functions with respect to any such proposed transfer.

4. Interested parties will have an opportunity to provide oral and/or written comments regarding the proposed transfer, including at a public hearing conducted by the League in the community from which the team seeks to relocate; written comments may be submitted within 15 days of the conclusion of such hearing.

5. Following the Commissioner's report on the proposed transfer, the proposal will be presented to the membership for action in accordance with the Constitution and Bylaws, either at a Special Meeting of the League held for that purpose or at the Annual Meeting.

6. After any League vote on a proposed relocation, the League will

i. publish, within 30 days of any relocation decision, written findings in newspapers of general circulation within the incumbent community setting forth the basis of its decision in light of the League's rules and procedures for evaluating franchise relocation; and

ii. deliver copies of its written findings to the local governments of the community from which the club seeks to relocate and any sports authority or similar entity with jurisdiction over the stadium or facility from which the club seeks to relocate.

C. Factors That May Be Considered In Evaluating The Proposed Transfer

The League has analyzed many factors in making prior business judgments concerning proposed franchise relocations. Such business judgments may be informed through consideration of the factors listed below, as well as other appropriate factors that are considered relevant by the Commissioner or the membership.[1]

Any club proposing to transfer should, in its submission to the Commissioner, present the club's position as to the bearing of these factors on its proposed transfer, stating specifically why such a move would be justified with reference to these considerations. In reporting to the membership, the Commissioner will also address these factors.

In considering a proposed relocation, the Member Clubs are making a business judgment concerning how best to advance their collective interests. Guidelines and factors such as those identified below are uscful ways to organize data and to inform that business judgment. They are intended to assist the clubs in making a decision based on their judgment and experience, and

[1] Most of the factors were contained in a bill reported by a Senate committee in 1984; they essentially restate matters that the League has considered important in connection with team location decisions in the past. Certain factors included in the Senate bill have been modified, and certain new factors have been added, to reflect changed circumstances and the League's historical experience since 1984. These factors are also contained in a "Statement of Principles" relating to franchise location developed by the League in consultation with the U.S. Conference of Mayors.

taking into account those factors deemed relevant to and appropriate with regard to each proposed move. Those factors include:

1. The extent to which the club has satisfied, particularly in the last four years, its principal obligation of effectively representing the NFL and serving the fans in its current community; whether the club has previously relocated and the circumstances of such prior relocation.

2. The extent to which fan loyalty to and support for the club has been demonstrated during the team's tenure in the current community;

3. The adequacy of the stadium in which the club played its home games in the previous season; the willingness of the stadium authority or the community to remedy any deficiencies in or to replace such facility, including whether there are legislative or referenda proposals pending to address these issues; and the characteristics of the stadium in the proposed new community;

2. The extent to which the club, directly or indirectly, received public financial support by means of any publicly financed playing facility, special tax treatment, or any other form of public financial support and the views of the stadium authority (if public) in the current community;

5. The club's financial performance, particularly whether the club has incurred net operating losses (on an accrual basis of accounting), exclusive of depreciation and amortization, sufficient to threaten the continued financial viability of the club, as well as the club's financial prospects in its current community;

6. The degree to which the club has engaged in good faith negotiations (and enlisted the League office to assist in such negotiations) with appropriate persons concerning terms and conditions under which the club would remain in its current home territory and afforded that community a reasonable amount of time to address pertinent proposals;

7. The degree to which the owners or managers of the club have contributed to circumstances which might demonstrate the need for such relocation;

8. Whether any other member club of the League is located in the community in which the club is currently located;

9. Whether the club proposes to relocate to a community or region in which no other member club of the League is located; and the demographics of the community to which the team proposes to move;

10. The degree to which the interests reflected in the League's collectively negotiated contracts and obligations (e.g., labor agreements, broadcast agreements) might be advanced or adversely affected by the proposed relocation, either standing alone or considered on a cumulative basis with other completed or proposed relocations;

11. The effect of the proposed relocation on NFL

scheduling patterns, travel requirements, divisional alignments, traditional rivalries, and fan and public perceptions of the NFL and its member clubs; and

12. Whether the proposed relocation, for example, from a larger to a smaller television market, would adversely affect a current or anticipated League revenue or expense stream (for example, network television) and, if so, the extent to which the club proposing to transfer is prepared to remedy that adverse effect.

D. Existing Leases

1. No request to relocate shall be unconditionally approved, nor shall a relocation be allowed to take effect, if it would result in a breach of the club's current stadium lease. This provision shall not apply if the club and its landlord agree to terminate the lease or if there is a final court order terminating the lease or concluding that the lease does not preclude a relocation.

2. A decision by the league conditionally or unconditionally authorizing a member club to relocate shall not affect the enforceability under state law of a stadium lease to which that member club is a party.

E. Payments Associated with an Approved Transfer.

If a club's proposal to relocate to a new home territory is approved, the relocating club will ordinarily be expected to pay a transfer fee to the League. The transfer fee will compensate other member clubs of the League for the loss of the opportunity appropriated by the relocating club and/or the enhancement (if any) in the value of the franchise resulting from the move.

The Commissioner may recommend a transfer fee to the membership and Finance Committee for consideration in connection with any proposed transfer that he recommends be approved. Among the factors to be considered in the recommendation of such fee will be:

1. The income streams available to the club in its new location and the likelihood that they will be realized (which may be affected by community or business guarantees or similar undertakings);

2. The income streams historically available to the club in its previous location, and the incremental income streams (if any) that could reasonably be expected to be made available to the club in its old location;

3. The expenses to be borne by the club in its current and proposed locations;

4. The expenses that could reasonably be expected to be assumed by parties other than the club if the relocation does not take place;

5. The desirability of the club's current and proposed stadia as locations for professional football games;

6. The club's current status under any revenue sharing plans then in effect and its anticipated status if the move were approved;

7. The effect of the proposed relocation on current or anticipated League-level revenue and expence streams; and

8. The demographics of the club's old and new markets.

The Commissioner's recommendation of a transfer fee will not be based on any effect that the proposed move would have on any salary cap or similar player-employment arrangements.

The membership will determine the transfer fee (or, in the alternative, a recommended, binding method for determining the transfer fee), if any, at the time it approves any proposed club relocation. The terms on which the transfer fee will be paid will be set forth in the resolution itself, and will be reflected in appropriate documentation acceptable to the Commissioner and the Finance Committee.

In addition, in certain circumstances, the League's collective interests may depend upon the maintenance of quality franchises in specific geographic areas. If a team proposes to relocate into, or to relocate from, such an area, in evaluating the proposed relocation, the Commissioner will and the membership may take into account, in determining the appropriate transfer fee (if any), the League's interest in encouraging the proposed relocation, discouraging the proposed relocation, or permitting the relocation on terms that would permit the League to restore a meaningful presence in the area being vacated by the relocating club.

Finally, if League-level revenue or expense streams or visiting team shares are projected to be adversely affected by a proposed relocation, on either a short-term or long-term basis, based upon a recommendation by the Commissioner and Finance Committee the relocating club will be required to indemnify other members of the League for adverse effects that could result from the proposed relocation. If such recommendation is included by the membership in the resolution authorizing the move, the Commissioner will, in consultation with the Finance Committee, negotiate with the relocating club appropriate indemnification arrangements, including the extent to which the relocating club may participate in League revenue sharing pools, to be reflected in documentation acceptable to the Commissioner and the Finance Committee.

ATTACHMENT B

1999 Resolution G-3
As Amended

Whereas, it is appropriate to improve the League's current policies to support new stadium construction through club seat sharing exemptions, as reflected in the club seat sharing exemption guidelines adopted by the League in 1994 (the "Guidelines"), and through PSL sharing exemptions;

Whereas, a revised policy can facilitate new stadium construction projects by (1) making upfront League loans in support of Clubs' private contributions to such projects (rather than annually exempting from sharing the visiting team share ("VTS") of club seat premiums over a period up to 15 years), and (2) assuring that League loans will amount to at least 34% of an affected Club's private contribution to a project;

Whereas, such League loans should be subject to member club approval on a case-by-case basis;

Be it *Resolved*:

(1) That for any stadium construction project involving a private investment for which an affected Club makes a binding commitment from now through the 2002 NFL season (through March 31, 2003), the League shall make a loan to the affected Club to support such project based on the amount that the affected Club has committed to such project as a private contribution (the "Private Contribution");

(2) That the amount of such League loan shall range from 34% to 50% of the Private Contribution, determined on a case-by-case basis based on the size of the Private Contribution, with incremental League loans in excess of 34% generally to be made available to facilitate stadium construction projects in the largest markets that are home to an NFL Club, and with the League loans in smaller markets generally limited to 34% of the Private Contribution;

(3) That the Commissioner is authorized to make arrangements for the League to borrow from commercial or institutional lenders funds to make such League loans, with the funds to be repaid to such lenders over an appropriate time period (10 years or such other period as may be determined by the Finance Committee);

(4) That the specific borrowings from commercial or institutional lenders related to any stadium construction project must be approved as part of the League's approval of a League loan to such project, with the borrowings to be repaid principally from the VTS of club seat premiums generated by such project, and, to the extent that the VTS of club seat premiums is insufficient to repay such loans, with any incremental funds needed for repayment to be assessed against the League's network television revenues;

Further *Resolved*:

(1) that if PSLs are sold with respect to a particular stadium construction project, such PSLs shall be eligible for an exemption from sharing in accordance with current policies;

(2) that the amount of VTS exempted in respect of PSLs sold shall be offset against the principal amount of League loans available for the project; and

(3) that for purposes of determining whether a project is eligible for incremental League loans, only the first $75 million of PSL proceeds shall be treated as a portion of the Private Contribution;

Further *Resolved*:

(1) That any League loan under the League policy adopted by this resolution, as between an affected Club and the League, shall be forgiven over the term of the aforementioned League borrowing on an equal annual basis; and

(2) That, if an affected Club that receives a League loan under the League policy adopted by this resolution (or a controlling interest therein) is subsequently sold other than to a member or members of an owner's immediate family (as defined in the NFL Constitution and Bylaws) before the final maturity date of the League loan, then the selling party shall repay to the League from the sale proceeds at closing an amount equal to the outstanding principal balance on the League loan; and

Further *Resolved*, that in order for a stadium construction project involving a Private Contribution to qualify for a League loan, the conditions set forth in Attachment A to this resolution must be satisfied.

Submitted by Finance Committee and Stadium Committee

Reason and Effect: To modify and simplify the League's policies with respect to stadium construction projects to provide for, among other things, (1) a standard 34% League loan towards the private contribution to such projects, (2) such League loan to be made upfront at the beginning of such projects from funds to be borrowed by the League, and (3) an incremental League loan (in excess of 34%) in respect of such projects in the largest markets.

VOTE		***DISPOSITION***
For.............29		Adopted
Against.........2	(Cincinnati, Oakland)	
Abstain.........0		

ATTACHMENT A

(a) The League must approve a resolution specifically directing the making of a loan in respect of a particular stadium construction project, following an evaluation of (1) the necessity of a new or renovated stadium in a market in terms of the suitability, economic competitiveness, and physical condition of the existing facility, the stadium's importance to League franchise stability, the League's concerns regarding its national image and presence, the importance of an affected market to the League's national television ratings, and other League business priorities, and (2) the specific attributes of the project, including the scope and cost of the project relative to the economics in a market and the League as a whole, the balance of projected shareable and non-sharable revenue streams and the construction costs associated with each, whether a renovation project is a "qualifying" project (as defined in the Guidelines), and similar factors;

(b) Such resolution must be adopted and the stadium construction project must be committed to by both public and private parties, from now through the 2002 NFL season (through March 31, 2003);

(c) The stadium construction project must be a "public-private partnership" to which public authorities and an affected Club each have committed funds;

(d) The project must not involve any relocation of or change in an affected Club's "home territory" (as defined in the Constitution and By-laws);

(e) Increases in the visiting team share generated by the new or renovated stadium must meet the standards set forth in the Guidelines; and

(f) The NFL Players Association must agree to exclude from DGR, over a reasonable period of time on a straight-line amortization basis, the entire amount of the Private Contribution, together with an amount equal to the imputed interest on the Private Contribution at a commercially reasonable interest rate.

Chairman SENSENBRENNER. Let me announce the ground rules for questioning just so that everyone knows how Members will be recognized and how Members will be allowed to ask questions.

First, the 5-minute rule will be strictly enforced. Most of the Members of the Committee are here. This will be a lengthy hearing, because I am sure that the Members who are present are going to want to have their full 5 minutes, but we do want to move along and to make sure that people toward the end of the list of recognition will have a chance before they have to move on.

The staff and I have noted the arrival of Members on both sides of the aisle. The recognition will take place alternatively between Republicans and Democrats in the order in which everybody appeared.

Secondly, I have invited members of the Minnesota congressional delegation to come and participate in this hearing, and I will be happy to recognize them, but only after all Members of the Committee have had their shots. So, please be very patient. We will give you all a chance, but it will be after the Members who serve here full time have been able to talk about this issue.

That having been said, I will recognize myself for 5 minutes.

Mr. Selig, you said in your testimony that the Major League Executive Council has not selected the teams to be contracted. Am I correct in that assumption?

Mr. SELIG. Yes, you are correct, Mr. Chairman.

Chairman SENSENBRENNER. What is the delay in announcing the decision, since you said something in November which has got everybody stirred up? Is there a reason for the delay?

Mr. SELIG. Well, we announced it because of our economic problems, because of the state of the industry, that contraction, which frankly came from ownership and had been talked about for a couple of years, and as the deterioration of the industry grew greater in the past year, contraction became a more viable option.

However, there are a series of criteria that we are going to use and are using to determine which sites should be contracted, and we are in the process of doing that right now.

Chairman SENSENBRENNER. When do you think that you will reach a decision on that?

Mr. SELIG. Well, I hope in the very near future, Mr. Chairman. We obviously have some other—we have a grievance with the Players Association, and obviously a suit in Minnesota, so we need to let some of those things go forward. But we will be making our decision in the very near future.

Chairman SENSENBRENNER. Now, getting to the economics of the issue, what was the last sales price of a franchise in Major League Baseball, and which franchise was it and when?

Mr. SELIG. Well, I have to think. The last one may have been Kansas City, I believe. I believe Kansas City. And that sale price was $96 million. It was owned by Ewing Kauffman, who is a great benefactor in that area, owned the team, got the team back in 1969.

Chairman SENSENBRENNER. When it was sold?

Mr. SELIG. He passed away in 1993. We went through a very difficult process in trying to find an owner. We finally did, Mr. David Glass, who now owns the team. And the sale price was $96 million, and I—quite candidly, it was a loss to the Kauffman Foundation.

Chairman SENSENBRENNER. This was in 1995 or 1996 when you found the buyer?

Mr. SELIG. Yes, Mr. Chairman.

Chairman SENSENBRENNER. In Mr. Fehr's written testimony, he states that Senator Mitchell is part of a partnership that is bidding between RBP $300 and $400 million for slightly more than 50 percent of the Boston Red Sox. Is Mr. Fehr accurate in that?

Mr. SELIG. We haven't gotten the numbers yet, but I think that will be an accurate statement.

Chairman SENSENBRENNER. In the ballpark or the parking lot?

Mr. SELIG. Senator Mitchell is a partner.

Chairman SENSENBRENNER. I have a limited amount of time, so Mr. Fehr is in the ballpark, not out of ballpark ?

Mr. SELIG. Is that. But—.

Chairman SENSENBRENNER. Now, Mr. Selig, with all due respect, maybe I was asleep in the Economics 101 class that I took as an undergraduate, but what you are saying is that these teams lose money, and they have huge operating deficits and huge debt loads and other types of obligation and deferred compensation for the players, and the income in Major League Baseball is going down the tank. But since 1995 or 1996, the value of a franchise has gone from the $96 million that the Royals went to between $3 and $400 million for a little bit more than half of the interest in the Red Sox. So we multiply that times 2, and it goes between $600 and $800 million.

Now, what am I missing here? If baseball is in such dire straits, and the franchise costs keep on going through the roof, you know, it seems to me that owning a Major League Baseball franchise is not the one-way ticket to the bankruptcy court.

Mr. SELIG. Well, if I may. In the blue ribbon report, there is an analysis of the last 13 sales, Mr. Chairman. But I want to say at the outset Mr.—Senator Mitchell is not investing in the Kansas City Royals, or the San Diego Padres, or the Pittsburgh Pirates, or the Cincinnati Reds. There are three or four franchises, because of their market, there is no question have a greater attraction, television network, a series of other things. But then there is the rest of the clubs, whether it is the Detroit Tigers, Houston—we have had a lot of teams, Mr. Chairman, that are for sale publicly in which we haven't had a buyer, in which there is no buyer, and therefore there is no relationship between the sale of the Boston Red Sox and maybe 22 to 25 of those other franchises.

Chairman SENSENBRENNER. Well, my time is up.

The gentleman from Michigan, Mr. Conyers.

Mr. CONYERS. Thank you.

Commissioner, as you and your lawyers who are getting ready to sue Fehr if he makes a misstep here, do they know about Title VII of the 1964 Civil Rights Act that precludes discrimination in hiring based on race, gender, national origin or sex, right?

Mr. SELIG. Yes.

Mr. CONYERS. Okay. Detroit Tigers take, for example. They hired a white manager without ever bothering to interview qualified minorities for the position, which is contrary to the association's own stated policy. In this case, what did you do, or did you know about it?

Mr. SELIG. I talked to the Detroit Tigers immediately. The Detroit Tigers then, as a result of doing that—and there had been a misunderstanding—immediately implemented a rather significant program in the inner city in Detroit. I talked to people at the time. Everybody was happy. They understood that I had sent a memorandum, Congressman Conyers, to all of the clubs telling them that they were to interview minority candidates. As a matter of fact—

Mr. CONYERS. But they didn't.

Mr. SELIG. They were disciplined, sir.

Mr. CONYERS. Well, gosh, I am glad to know that.

Okay. Contraction, relocation. What about—when you reportedly threatened to move the team that—your team, unless the city financed a new stadium. Baseball helped the White Sox use the threat of relocation as leverage for a new stadium, which now is almost standard operating procedure around the country. Example: San Francisco, Houston, now Minnesota. So let's—let's negotiate. If—if the antitrust exception is left alone, would you promise to prevent the relocation of teams from cities that do not provide new publicly-financed stadiums?

Mr. SELIG. Let me say at the outset, Representative, that we are—our sport has not moved a team in 30 years, and all that the—the situations that you talk about—.

Mr. CONYERS. How about the figure 11 have been moved in 50 years?

Mr. SELIG. We haven't moved a team since 1970.

Mr. CONYERS. What about the threats? The threats don't count?

Mr. SELIG. I don't know that there have been a lot of threats.

Mr. CONYERS. Oh, okay.

Mr. SELIG. I must say to you that if you go back and you take every new stadium built, I don't think that you are going to find a threat.

Mr. CONYERS. What about Governor Ventura, sitting to your immediate left?

Mr. SELIG. Well, I should let Mr. Bell talk about it. But the Twins have had 26 stadium proposals. The last one the owner offered to pay 83 percent of that. I think the reverse is true, sir.

Mr. CONYERS. Okay. Failure to open books. We got some information from you at 6 o'clock last night. They are really way too general for us to—to consider them to be detailed audited records, with all due respect. I know you have got some good accountants, Big 5 guys, but would you reconsider to provide this Committee with some real records about each team, the breakouts, among other things; the salaries; consulting fees paid to club owners, their family members; the extent to which owners are earning interest on stadium loans they provide, and other related party transactions, and we will give you a lot of time to get that together?

Mr. SELIG. If I may?

Mr. CONYERS. Yes, sir.

Mr. SELIG. Our figures are audited three different ways. Players Association gets all the numbers, including all related-party transactions. The blue ribbon panel of the four gentlemen got the audited statements.

Mr. CONYERS. Don't you know the union can't give these statements to anybody? You just sent a letter, your lawyer, that you would sue Fehr.

Mr. SELIG. Congressman Conyers, you have the audited financial statements for 6 years. The only reason you don't have them for the 7th year, it is not over yet. You have all of the information that Mr. Volker, Will—.

Mr. CONYERS. What about the stuff I just asked for, sir? We don't have that.

Mr. SELIG. All the audited—all the related party transactions have been audited by Coopers over and over again.

Mr. CONYERS. We don't have any numbers. Staff keeps whispering in my ear we don't have the numbers, we don't have the numbers.

Mr. SELIG. I'd like to know, since they've been audited three different ways, what information are you looking for?

Chairman SENSENBRENNER. The time of the gentleman has expired.

Mr. CONYERS. Could I see you immediately after this hearing?

Mr. SELIG. It would be my pleasure.

Mr. CONYERS. Thank you. I look forward to it.

Chairman SENSENBRENNER. In the public or outside? The gentleman from Florida, Mr. Keller.

Mr. KELLER. Thank you, Mr. Chairman.

Mr. Selig, I'm concerned that baseball needs more lawsuits about as much as A-Rod needs more money here. In particular, I interviewed the two baseball owners from Florida. They were concerned that if we pass this law it may create some instability. Essentially right now a team can't move unless Major League Baseball allows it to. And we pass this law, teams could move from city to city to city. Governor Ventura says, well, why does the NFL not have this exception? We don't. Of course look what happens with the NFL with Al Davis moving teams from city to city, with the Cleveland Browns moving to Baltimore, with the L.A. Rams moving to St. Louis.

So my question to you is in your testimony you said that if you didn't have this exception back in the '90's, several cities might well have lost their franchises to relocation. Can you give us some examples to support that statement?

Mr. SELIG. There's no question in the past 30 years but even since my commissionship, if we didn't have the right to keep teams where they were because we really believed that it was our right, teams would have moved, teams from smaller markets may want to move to bigger markets. We've had a number of clubs over the period of time that quite frankly wanted to move and we told them that they couldn't. That's what this—the interesting part to me is that this law, this exemption has promoted stability. It's done the very things that people talked about.

Mr. KELLER. Mr. Bell, I'm no antitrust lawyer, I'm just a regular lawyer, and it's kind of confusing but in analyzing this legislation it seems like the practical impact of this legislation would be to effectively end Major League Baseball's contraction plans because it would expose the owners to lawsuits and treble damages since cities or even players could claim that there is an antitrust conspiracy by baseball owners to take away their team. Would you agree with that?

Mr. BELL. Mr. Chairman, Representative, I'm not only not an expert on antitrust, I'm not even a lawyer. It seems to me, however, what I do understand of the antitrust exemption that applies to baseball and does not apply to football was clearly articulated by yourself a few minutes ago. That's my understanding of it.

Mr. KELLER. Okay. Commissioner Selig, I don't mean to give you a hard time here, but you're talking about how the owners are struggling so much and it seems to be just a bit disingenuous for the owners to complain about not making any money when they're paying folks like Alex Rodriguez $250 million. What are your comments in that regard?

Mr. SELIG. Well, my comment is thus: And I understand that view because I hear that every day wherever I go. It really is the system. People have talked about other sports here this morning. Remember other sports have different systems. And therefore, we need to have a system that does promote, my favorite term, hope and faith. And so owners, as Jerry Bell said when he was reading, struggle. If they don't spend money they're called el cheapo. If they do spend money and create more problems, they have a problem.

One of the things people don't seem to understand about our system, they're—all the clubs are welded together by arbitration, by free agency. So that if a right fielder has a good year in a certain market where they can afford to pay them, then they can and all of a sudden all right fielders become at that price.

So when people talk about it really is the system that is badly flawed and that's where I've tried to stress, and I've done it every day since I've been Commissioner, that we need to change the system in terms of revenue sharing and significant salary restraints.

Mr. KELLER. There is no easy answer to that question, I see. Governor Ventura, everybody would like the Twins to stay if at all possible. Is there anything else other than this legislation that would help the Twins stay in Minnesota? I mean, is there some combination of private-public financing of the stadium or any other remedy? Could you tell us?

Governor VENTURA. First of all, let me state that the Twins play in the Metrodome. The Metrodome is 20 years old, younger than my son. And I still think my son is a child to me. He's 22. He's older than the Dome. If you go to the Dome, you'll see the trees planted around it haven't even grown up yet. They still got the tape around them. They're very thin and all that. And now we're being told that the only way the Twins can be successful is in a new stadium.

Well, my view is it's very simple. I mean, in the business world you can't pay your employees more than what you make, more than what you earn as a company. And that's what's happening in baseball. They're paying too much, they're paying far too much money. We all know that.

And to me, if we build a new stadium, that stadium, they will come back to us in 5 to 8 years and tell us this one is no good now either and we've got to have another one.

Let me say that I graduated from Minneapolis Roosevelt High School in South Minneapolis. It's still educating children and it's 80 years old right now. When they build a new Roosevelt, then come and talk to me about a new stadium.

And, again, I'm not adverse to it. I'll do it, but

don't—we also now just learned we're facing a $1.9 billion deficit in the State of Minnesota in light of the economic recession and September the 11th. And yet they want to come into my budget and somehow build a stadium out of that to keep the Twins? I'm all for keeping the Twins, but baseball has to fix itself or there is no light at the end of the tunnel.

Chairman SENSENBRENNER. The gentleman's time has expired.

The gentleman from Florida, Mr. Wexler.

Mr. WEXLER. Thank you, Mr. Chairman. Commissioner Selig, if I could, I have the privilege of representing Palm Beach and Broward Counties in south Florida. I believe I'm the only Member of this Committee that represents south Florida. My people have had a rough couple of years. We had the first anthrax attack in Boca Raton. We had the butterfly ballot. We had Elian Gonzalez. We've had a tough couple of years.

And the discussion about Supreme Court cases 8 decades ago and so forth, while many of my constituents remember the case, they—they're more concerned about next year. And the question, the question that I keep hearing from people that have suffered some rough times the last couple years is what is the commitment of Major League Baseball to south Florida? Not to a particular owner, but will the Florida Marlins be playing baseball in south Florida in the next couple years?

Mr. SELIG. Well, Congressman, you know, we were very proud when we awarded a team in south Florida, Mr. Huizenga. And then came the remarkable story of their pennant and world championship in 1997. I have a lot of friends down there. I know how happy everybody was. Then came, as a manifestation of how sick the system is, Mr. Huizenga's selling off all the stars. As you know, Mr. Henry, John Henry bought the team and he's been a very dedicated owner. He has tried everything. He will continue to try.

And you know, our record in all of this has been—you must understand we want stability. Having clubs moving or threatening is not what we want. But we have a series of economic problems that we have to deal with here. And so I think, you know, we've been very candid in south Florida and the owners have been candid and I look forward to working with people in the future to solve the problems that we know need to be solved.

Mr. WEXLER. Okay. So what is the commitment of Major League Baseball to south Florida?

Mr. SELIG. The commitment in south Florida is to continue to try to solve the problem. Obviously they know they need a new stadium. Everybody has said it, including, I must admit, a lot of Marlin fans. So unfortunately, with all the other problems that you've talked about they have not made good progress toward getting a new stadium built, and that's something that has to be addressed.

Mr. WEXLER. So are you saying without a new stadium south Florida won't have baseball?

Mr. SELIG. I have said that in the past, Congressman, as you know. So I want to be very candid. The thing that people don't understand is once you go to revenue sharing, and I think the one thing at least three of us agree with here and that is we need to do more revenue sharing, the clubs have a right to know what the other clubs have done to improve their economic situation. It is true that clubs that pay a lot of money to other clubs want to know are you willing to improve your situation. And that's one of the byproducts of more revenue sharing. And therefore—and all these situations are very difficult, they're very sensitive, but they have to be addressed and south Florida is one of those areas that has to be addressed.

Mr. WEXLER. So if we just did it simply on a scale from 1 to 10 what the commitment of Major League Baseball is to south Florida, 10 being the highest, 1 being the lowest, where would you say we are?

Mr. SELIG. Well, we're there now and let's hope it all works out.

Mr. WEXLER. We're there? Where are you?

Mr. SELIG. The Marlins are in south Florida and let's hope that continues.

Chairman SENSENBRENNER. The gentleman is speechless?

Mr. WEXLER. I am not speechless. I was hoping that the Commissioner would give those of us that understand the risks in Mr. Conyers' legislation reasons to figure out why we shouldn't support it. But with all due respect, if fans are going to get those kinds of nebulous responses from the Commissioner of Baseball, it's almost a compelling reason for a whole lot of us to just say why not support Mr. Conyers' legislation so maybe we can get some more direct answers.

Mr. SELIG. Well, Congressman, I think we've been very candid down in south Florida and in other places. I mean we have said over and over again, and the owners have said, I must say both Mr. Huizenga and Mr. Henry have said directly, have worked very hard to get a new stadium and have not at this point, up to this point in time had very good results. I have said that. I have come down there to say it. I have said it publicly that this franchise, if you look at these numbers, the Florida Marlins can't survive playing in Pro Player Stadium. Now, I don't think there's any change there in that, and I think quite frankly there has been a lot of candor.

Chairman SENSENBRENNER. The time of the gentleman has expired.

The gentleman from Tennessee, Mr. Bryant.

Mr. BRYANT. Thank the Chairman. Add my welcome to this panel. I think, speaking as a St. Louis Cardinal fan, a round of applause there, I think that major league teams are going to be well taken care of in the questioning by the both sides of this panel today. My concern is, and I'd like to have an answer from each one of you about this question, beginning perhaps with Mr. Fehr and working down that side of the panel with the Commissioner speaking last, how you view this bill, the FANS Act of 2001, how that will affect the minor league teams? And I'm sure again in your various capacities you've got minor league teams and you represent minor league players and own minor league teams.

Mr. FEHR. Sure. I believe if it's passed as drafted it should not have any effect because an exemption is carved out for the minor league as much as it was in the Curt Flood Act. So if there is still an antitrust exemption which would protect the minor leagues, then it would still be there. If the courts decide it isn't there, it isn't. But I don't think this bill as drafted does anything to address it.

I do, unlike everybody else on the panel, suffer from the disability of being an attorney. So I base my statement on that.

Mr. BELL. Mr. Chairman, my understanding in discussing this with the person who is the head of the minor leagues is their view is it would have devastating effects on their business.

Mr. BRYANT. Mr. Bell, you say it would have a devastating effect. Would you like to expand on that?

Mr. BELL. Yes, sir. I think the concern is that there could be less support for Major League Baseball, which basically subsidizes Minor League Baseball, if this bill passed and they were affected by it. Now, once again, as I stated earlier, I am not an expert on antitrust legislation or its effects, but I do know what the head of the Minor League Association told me.

Chairman SENSENBRENNER. Let me say there are representatives of the minor leagues in the hearing room today. I would invite them to send written testimony for publication in the record in answer to the questions asked by Congressman Bryant.

Governor.

Governor VENTURA. I really have no opinion on it. I'm not really privy to the minor leagues at all. But let me just say this: It seems that building new stadiums is a prerequisite for everyone to keep their franchises and all that. Although I don't particularly like that, I look at it from this aspect: When we take public money and build a public library with public money, you don't have to pay to get in it. And yet here we pay public money and we build a stadium, then they charge the very public who built it to get in it.

Thank you.

Mr. SELIG. Congressman, I of course talked to the representatives of Minor League Baseball, and Mr. Stan Brant is here today so he certainly can fire whatever he feels very strongly about it. Yes, I think it would have a very injurious effect on our 177 minor league teams. Number one, I'm told that the provisions that were negotiated in the Curt Flood bill of 1998 have been deleted. So the minor leagues feel quite threatened.

Number two, there's a very delicate economic balance that clubs spend about $150 million a year in the minor leagues to perpetuate the minor leagues. There is—the relationship is very strong, but it's also a very delicate one. If you take the exemption away for all that—and baseball is the only sport that has this minor league system, only sport that spends this kind of money—yes, I think it would threaten that very, very seriously.

And I think frankly, for all the people in the minor leagues all over America I think that would be very sad. But I can tell you right now if there's a lot of risk and the clubs spending the kind of money they're spending, especially being in a loss position, yes, you bet it's injurious to the minor leagues. By the way, they feel very strongly about that.

Mr. BRYANT. Mr. Chairman, I would say to you and to the panel I suspect that most of the people in Congress and in the Senate more likely represent minor league teams or areas that contain minor league teams than even States that require—that have the—have major league teams. So that certainly is an interest of many of us on how this will impact those.

If any of you members that testify today would like to late file additional testimony or more testimony, please feel free to do that as well as the minor league. Thank you, Mr. Chairman.

Chairman SENSENBRENNER. Without objection. And the gentleman's time has expired.

The gentleman from Virginia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. I'd like to ask Mr. Selig a question. You were quoted as saying that there was no economically viable market to pick up one of the teams that's failing. I represent one of the 39th largest markets in southeast Virginia and we're presently in the eighth largest market, which includes Northern Virginia. Is there any rule prohibiting Northern Virginia or Washington, D.C. area from getting a franchise so long as there's one in Baltimore?

Mr. SELIG. No, absolutely not. If I can explain my statement, what I—.

Mr. SCOTT. That's good enough. I want—.

Mr. SELIG. The answer is no.

Mr. SCOTT. You received a letter from several Members of Congress from Virginia, the entire Northern Virginia delegation and both United States Senators, inviting Major League Baseball to Northern Virginia. Why should they not be given an opportunity to have a franchise rather than contracting the number of teams?

Mr. SELIG. It gets back, Congressman, to the economic arguments that we've advanced here today. I said very carefully that relocation—and I've said this today and I've said it is clearly a viable option. I didn't think it was years ago. It is today because of the problems. But the reason that we are contracting is because the system is so badly flawed that to send a team from one market where it's failing to another market where it becomes similar to maybe 25 or 26 of our franchises before we fix the system doesn't solve the problem. And I guess what I've tried to say today and I'll say it again, the bottom line is this system needs to be fixed. Then relocation becomes a very, very valuable alternative for us.

Mr. SCOTT. Mr. Fehr, could you tell me what effect the passage of this bill will have on the ability of Northern Virginia to get a franchise in your opinion?

Mr. FEHR. Oh, I think it would improve it considerably, because you would have the avenues of the antitrust laws if you thought you were unreasonably being deprived of the right to enter the league. There is no question about that.

Mr. SCOTT. Mr. Selig, do you agree with that assessment? If we pass this bill, Northern Virginia would have a better chance of getting a franchise than under the present system?

Mr. SELIG. No, I don't. No, I don't. And the thing I find puzzling about that is the first time I ever appeared before Congress was back when we had the Tampa-San Francisco dispute where on the one hand the Tampa people wanted the team, the San Francisco people are trying to keep it. We've tried desperately to keep teams where they are. Do I—and we've done that. Will we have to have some relocation in the future? Yes. But this bill isn't going to further that at all. In fact, if anything, I think it complicates it and makes it frankly more difficult for people who are trying to keep their franchise.

Mr. SCOTT. Mr. Bell, are the values of the franchises going up or down?

Mr. BELL. Mr. Chairman, Mr. Scott, the real honest answer to that is it kind of depends where your franchise is. As Mr. Selig said earlier, I believe the value of the Boston Red Sox and a couple of other teams may be going up. But I think there's a number of clubs, I can speak obviously more accurately about our own, where it is declining.

Mr. SCOTT. The value of the club is going down?

Mr. BELL. Yes, sir.

Mr. SCOTT. Mr. Selig indicated that several clubs had been offered for sale with no buyers. Are these offering prices above or below the cost of acquisition?

Mr. BELL. Mr. Chairman, Mr. Scott, I think in all cases they're probably above the cost of acquisition. But when you add in the debt that had to be paid and the interest that had to be paid and the losses that had to be funded, they then become, at least in our case, Minnesota's case, the figures that we have heard would be below the total investment in the team.

Mr. SCOTT. Are there revenue sources that do not show up on these audited statements like royalties or any other income that the franchise may have?

Mr. BELL. Mr. Chairman, Mr. Scott, I can speak obviously with some expertise to the Minnesota Twins. The question is absolutely not. In fact, the owner doesn't even take a salary nor does any member of his family.

Mr. SCOTT. Take a salary?

Mr. BELL. Does not.

Mr. SCOTT. Governor.

Governor VENTURA. I would like to ask when they talk about losing all this money do they not deduct it off their taxes if it's a loss? I mean, when these clubs, you know, claim that they're losing all this money do they then do tax returns with that deduction in there or do they declare a loss? So if they're doing that then they're truly not losing the money that they claim to be losing.

Mr. SELIG. In most cases the companies, the individual does not do that. But I guess, Governor, I'd have to say to you if you want to have a tax loss and lose $50 or $60 million, I think there are better ways to create a tax gain than having a $60 million loss. I don't think anybody—.

Governor VENTURA. That's why I have a hard time believing it, Mr. Selig, that they're losing that kind of money and still paying the salaries they're paying. It's asinine. These people did not get the wealth they have being stupid.

Chairman SENSENBRENNER. The time of the gentleman has expired.

The gentleman from Ohio, Mr. Chabot.

Mr. CHABOT. Thank you, Mr. Chairman. I want to thank the witnesses for being here this afternoon, and my questions are for the Commissioner. Let me preface my remarks by saying that many of my constituents, and I represent Cincinnati, Ohio, an awful lot of my constituents would like to see Pete Rose in the Hall of Fame and I would, too. But we'll leave that for another day.

Mr. SELIG. Thank you.

Mr. CHABOT. And, of course, the Cincinnati Reds were the first professional baseball team and the Reds have a devoted following in our region, and it's really not only the City of Cincinnati but all around the tri-state area. We're fortunate to have a great owner who is committed to the franchise and to the people of Cincinnati.

Mr. Selig, I'm hopeful that Cincinnati will always have the Reds, and that's why I have some serious concerns about the proposed legislation. And I know that you do, too, particularly its effect on small and medium market teams that don't generate the same revenue as some of the larger ones do, as you've testified already.

In professional football, where no such exception exists, we have seen relocation. We've seen it firsthand in Ohio. Fans of the Cleveland Browns woke up one day not too long ago to find that their team was moving to Baltimore. The Browns owner had been offered a lucrative deal to move the franchise, and he jumped at the opportunity. Never mind that the Browns had as loyal a fan base as any in professional sports. They are now the Baltimore Ravens. And Baltimore at the time was still struggling with bitter memories about the loss of the Colts just a few years before and literally in the middle of the night that team moved to Indianapolis. I don't want to see this type of thing happen in baseball.

Commissioner, you stated that baseball faces some tough economic times, and I think you make a pretty good case. You've provided us with some of the financial details. Keeping that in mind, I'm concerned that if this legislation were to be enacted some cash strapped team owners would be tempted to seek a quick fix by moving franchises to communities that can offer lucrative up-front financial incentives, as I said, we're very fortunate in Cincinnati to have a history of team ownership that's very loyal to the community and loyal to our teams. But we do know what the future—we just don't know what the future is going to hold. I don't believe we want to gamble on it by adopting legislation that might one day endanger baseball in cities like Cincinnati.

Mr. Selig, you also discussed revenue sharing. Your blue ribbon panel recommended that Major League Baseball should share at least 40 percent, perhaps as much as 50 percent of all the local revenues after local ballpark expenses are deducted under a straight pool plan. I'm wondering if you might comment on what is the likelihood of an agreement between the owners and the players' union on revenue sharing and how an agreement would affect teams like Cincinnati.

Secondly, I'm also hoping you might comment about the future of clubs like the Reds under a system where the antitrust exception no longer exists, as proposed in the legislation this afternoon.

Mr. SELIG. You know, Cincinnati, Congressman, is the prototype of why we need to change the system. I've often said and I mean this, having run the Milwaukee franchise for almost 30 years, if baseball is to succeed it needs to succeed in middle America. To do that it takes a whole plethora of franchises that need to change. So the real discussion today should be an increased revenue sharing, on salary restraint, because that's what we need to change the system.

We can talk about why owners did X or Y and in some cases, you know, I understand the question. But here's Cincinnati, prototype area. We need to change the system. We've been unsuccessful so far, but I hope that, you know, we've made some progress since I've been Commissioner. When I took over, we did no revenue sharing. So I'm happy with what we did. But is it nearly enough? It is not enough. And therefore the future of Cincinnati and many other franchises will be determined by how much meaningful change we can make to the system.

As for the effect of the bill, look, I came into the business because the Braves left Milwaukee to go to Atlanta, and it broke my heart and I have never forgotten it. The fact is, I'm proud of the fact that we've kept franchises as long as we have, 30 years without moving them. But we now face an economic crisis. It is a real crisis. Our bankers feel it's a real crisis, the people around us feel it's a real crisis, and therefore the fight is here, to be very candid with you, for the Cincinnatis of the world. I am hopeful that we will be successful.

Mr. CHABOT. Thank you very much. Yield back the balance of my time.

Chairman SENSENBRENNER. The gentleman from Massachusetts, Mr. Meehan.

Mr. MEEHAN. Thank you, Mr. Chairman. I don't know why anyone would question why a baseball team in Massachusetts would be worth five, six, seven times more than any place else. It's a great place to be. But I want to say a few words about this issue of applying the antitrust laws to professional sports leagues' relocation and contraction decisions. A couple of years ago I introduced legislation with Ed Bryant, formerly a Member of this Committee, to provide an exception from the antitrust laws for relocation decisions of professional sports leagues provided that the decision-making process gave affected communities a fair opportunity to weigh in and to make their case.

Now, the bill didn't cover baseball obviously because it wasn't necessary. Baseball has a broad judicially created antitrust exception. But I'm just as convinced today as I was then that subjecting league relocation decisions to the antitrust laws isn't necessarily good for fans. It isn't good for the leagues. It isn't good for communities. And it isn't good for sports. It's surely a tempting response to the financial competitiveness problems that baseball has right now, and it also feeds into the anger and frustration that fans feel, my colleague Mr. Wexler and other fans, about the potential of losing their teams. No doubt these problems are real. But professional sports in general doesn't quite have its house in order. That statement applies, I think, particularly to baseball.

I think it's fair to say that all the parties have contributed to this today, revenue sharing, salary caps. We can get into a long discussion about why it's where it is. But I don't believe that taking away the antitrust exemption will cure this disease and it could in fact make it worse.

Subjecting league relocation decisions to the blizzard of antitrust litigation from my vantage point isn't pro fan or pro community. Without the threat of local juries weighing treble damages in antitrust litigation, sports leagues possess the ability to vindicate the interests of hometown fans by blocking certain teams from moving to other cities.

We can engage in hypotheticals about the motive of owners in facing these decisions, but the fact is that they have done this and on occasions have clearly indicated a desire to do so, and the example has been brought up. Baseball blocked the San Francisco Giants from moving to Tampa in 1992.

But consider the National Football League. It tried to block the move of the Raiders from Oakland to Los Angeles and initially voted to block the move of the Rams from Los Angeles to St. Louis. It was inclined to block the move of the Browns from Cleveland to Baltimore. They didn't take that step because they didn't have the exemption. The common theme in that league on occasion will, or will at least want to, protect hometown fans by blocking a relocation proposal.

The difference between the two cases is that Major League Baseball succeeded in keeping teams in their current homes and the NFL failed. Why? Because the NFL is on the hook for antitrust liability for its relocation decisions while Major League Baseball isn't.

Now the NFL is gun shy about blocking unwise relocation proposals because understandably it doesn't want to play Russian roulette with the prospect of local juries awarding treble damages. So how is handcuffing baseball or any other league pro fan? I'm not saying that the owners are without fault here. And they're not saints and I don't see how triggering an antitrust litigation free for all with the current home city suing, the potential new host city suing, the potential of the stadium authority suing, the vendor suing, the sponsor suing, I'm not sure how that solves anything.

Moreover, the Governor's concern and many of our concerns about taxpayer dollars subsidizing stadium buildings, it's a complex issue but I think this bill could push us in that direction even further. Do we really want a bidding war between communities for teams that a league can't do anything about? It strikes me as a recipe for a raid on the taxpayers' wallets. We've seen it in the NFL where they only have 10 dates to give to communities. Baseball has 81.

Commissioner, you're familiar with the National Football League's experience with these relocation decisions in the wake of the 9th Circuit Raiders case. What are the consequences of this? I'm not sure that Mr. Scott—I think Northern Virginia might have a better shot of getting a baseball team if we did away with this, but the problem is they would pay more for it, because they would have a publicly financed stadium. And bidding wars would erupt all over the country, it seems to me, if we learn from the NFL situation. But I'm wondering what you've learned from the NFL situation?

Mr. SELIG. What I've learned, Congressman, from the NFL and from the experiences that they've had, that while they were having moving franchises and some that they tried to stop and couldn't and one that kept going up and down the West Coast, that we had the ability to keep teams where they were. Even when they could make a compelling case that they had to leave, we really felt it was our responsibility.

So what did this do? This promoted stability. So for the very thing that we're talking about here today, I think that it's been good public policy on—from our standpoint because we have been able to keep teams. And otherwise what you have, you do, there is no question it becomes a circus.

Chairman SENSENBRENNER. The gentleman's time has expired.

The gentleman from Illinois, Mr. Hyde.

Mr. HYDE. Thank you, Mr. Chairman.

Mr. Selig, Commissioner, the Los Angeles Dodgers I'm told sold for $311 million in 1998 to Rupert Murdoch and the Fox Group. The Cleveland Indians were sold in 1999 to Larry Dolan for $323 million. So the extraordinary prices for franchises raise a question. Why does Major League Baseball intend to contract the league instead of encouraging, let's say, the Expos and other low revenue teams to sell their teams to bidders in strong potential markets such as Northern Virginia?

We're aware that Peter Angelos has been quoted in the local paper, the Washington Post, and other news sources as asserting his opposition to allowing investors to acquire a franchise from elsewhere and move it to Northern Virginia. But doesn't it appear that Major League Baseball is willing to protect Peter Angelos from any competition by refusing to allow a struggling franchise from a small market to a large market? Wouldn't selling the Montreal Expos—I don't want to pick on the Twins—for relocation avoid contracting the league?

Mr. SELIG. Well, Congressman Hyde, the—if you look at—what I've tried to do and what I have tried to get the clubs to do is look at our economic problems in total. And while contraction to me when I first heard it from several owners, I didn't like the idea, we need to solve our basic problem. That's a point that keeps coming up over and over today. And I won't deny that relocation in the near future for a franchise may be a very viable option. And certainly I understand the Northern Virginia, the Washington arguments, I've heard them often and I understand it. But we need now, because of the crisis that you have seen here, we need to deal with those problems.

And to deal with them, there is a myriad of solutions that I think are available. One is the aforementioned revenue sharing, salary restraint, things that change the system. Contraction fits in for a number of reasons. Relocation once we're done solving these problems and hopefully, Congressman, much sooner than later, yes, relocation will be a viable option.

Mr. HYDE. Thank you very much. Thank you, Mr. Chairman.

Chairman SENSENBRENNER. The gentleman from North Carolina, Mr. Watt.

Mr. WATT. Thank you, Mr. Chairman. Mr. Selig, it sounds like baseball is in a pretty terrible fix. Sounds like baseball is in a pretty terrible fix.

Mr. SELIG. We have some very, very significant problems, yes. In spite of the fact that the game has never been more popular, we have some very significant problems.

Mr. WATT. And it's in that fix even though you have a monopoly and antitrust exemption?

Mr. SELIG. I think the economic problems are very obvious.

Mr. WATT. But you have absolute control over that now. It seems to me, and I have heard you say over and over, that the system needs to be fixed. What are you waiting on to fix it?

Mr. SELIG. Our negotiations with the Players Association, the two moving parts. After all, we can't share revenue without negotiation and we certainly can't impose salary restraint without negotiation. These are subject of collective bargaining.

Mr. WATT. So is there something that you want Congress to do about that? I mean what are you going to do—I mean, your testimony on the top of page 5 says over 5 years only three teams, the Yankees, the Rockies and the Cleveland Indians were profitable. All the rest of the teams were unprofitable. So you're going to eliminate two this year, two next year, two the year after that, two the year after that? Where—I mean at what point is eliminating teams going to solve this problem as opposed to fixing the system, which is what you said needs to be done, and if you have absolute authority to fix it now, with an antitrust exemption, why have you not fixed it?

Mr. SELIG. Well, let me make two points in response, Congressman Watt. Number one, I said it's going to take a myriad of solutions to fix the problem. Contraction is merely one of them. None of these will do it unilaterally. But two of the bigger issues that other sports have, and many of you have talked about here today, are subjects of collective bargaining.

Mr. WATT. How does contracting—.

Mr. SELIG. I can't do that by myself.

Mr. WATT [continuing]. Contracting the number of teams fix the problem? You said the system needs to be fixed. How does contracting the number of teams fix the system?

Mr. SELIG. It's one of things that when we've looked at it and talked about it, it's one of the things that helps fix the system that is—.

Mr. WATT. How? You've got two less teams that are unprofitable but the other teams are operating under the same system and all of them except three are losing money, according to your testimony.

Mr. SELIG. Well, okay. But the two teams that finally get contracted will be two teams that are subsidized by the other teams because of revenue sharing. And with a system where you're losing $519 million, Congressman, the industry doesn't have the luxury any more to subsidize.

Mr. WATT. You're telling me revenue sharing was part of the fix?

Mr. SELIG. It is. It is, but we need to negotiate that with the Players Association. We're not doing enough revenue sharing today, Congressman. We don't have enough salary restraints.

Mr. WATT. Okay. You've given some financial records to the union. You've given some financial records to this Committee. Have you given us the same records that you've given to the union?

Mr. SELIG. The same audited financial statements, absolutely.

Mr. WATT. The same financial records, not audited financial statements?

Mr. FEHR. I believe you have received a fraction of what the players have received over the years. But as I indicated in my statement, things are not as simple as they appear. You just don't need a bunch of numbers dumped on you.

Mr. WATT. So the question is could we get ahold of the same information you've given the players union over the last 5 years?

Mr. SELIG. The only thing I'm told that we haven't given you—you have all the same information now that the blue ribbon committee had, everything.

Mr. WATT. The problem is the blue ribbon committee guy is now trying to buy into baseball. So he told me you were losing money, and then he says he wants to buy into the system. It leaves me a little shaky about his judgment and the conclusions he reached.

Mr. SELIG. I don't think so because he's trying to buy a big market franchise, Congressman. He's not trying to buy—I think we've already answered that. And by the way, the only information not turned over to you was, I am told by our people, the bargaining information on revenue sharing and salary, which they believe is confidential. The financial information I'm told has been turned over.

Chairman SENSENBRENNER. The gentleman's time has expired. The Chair would observe that the blue ribbon commission member who is trying to buy into a franchise used to be a Senator, and you know how they are.

Mr. WATT. That explains it all, Mr. Chairman.

Chairman SENSENBRENNER. The gentleman from Alabama, Mr. Bachus.

Mr. BACHUS. Thank you, Mr. Chairman. I direct this question to the Commissioner and also to Mr. Bell. Do you know of prospective buyers for the Minnesota Twins?

Mr. SELIG. Do I know of prospective buyers for the Minnesota Twins? No, I can't say that I do. That's up to the individual franchise to identify them.

Mr. BACHUS. I'll ask Mr. Bell. Mr. Bell, do you know of any?

Mr. BELL. Mr. Chairman, Mr. Bachus, I know of people who have inquired about purchasing the Minnesota Twins. I know of no one who has offered to buy the Minnesota Twins. And most of those who have inquired about purchasing the Twins have said that they would only go forward if there was a new ballpark as part of that.

Mr. BACHUS. Do you all know the name Donald Watkins? He's a constituent of mine and a friend of mine. In fact, we were law school classmates.

Mr. SELIG. Only by newspaper accounts. I have not met Mr. Watkins.

Mr. BACHUS. I notice you said he's a legitimate qualified buyer. Have you reviewed his financial statements?

Mr. SELIG. I have not, no. I have had no contact with Mr. Watkins. I understand he's a very fine man. But—.

Mr. BACHUS. I think the protocol is he submitted to

J.P. Morgan his financial statement. He happens to be a black businessman in Birmingham, but I'm not asking this question based on that. But—and I know he's talked to Mr. Bell. He's not interested in moving Minnesota. He's interested in keeping the team there. One problem that he's had is he's told if he's interested in buying a major league team, he has to choose a team. He can't—the protocol is that he can't say, you know—he has to pick a team. He's also interested in Tampa Bay.

Do you have any suggestions for him as how he would go forward at this time? Because he's very interested. I believe that he—the figures that have been thrown around today I think are well within—.

Mr. SELIG. I can speak to the Tampa Bay situation. They have—they're having—J.P. Morgan I know has been interviewing prospective owners or buyers and that process has been going on. I don't know that Mr. Watkins participated in that, but certainly that is the right way to do it. And frankly if somebody is interested in buying a team, Mr. Bell is right, they should get the—.

Mr. BACHUS. He had submitted an application for the Tampa Bay team. He was told that he could not actually go forward and submit a proposal on the Twins because he couldn't have two in.

Mr. BELL. Mr. Bachus, he asked me that question about 2 days ago. I told him I didn't know the answer to that question, but I would find it out for him. He specifically wants to know if he could basically be making an effort to purchase the Tampa Bay Devil Rays and the Minnesota Twins at the same time. I didn't know that. I talked to our league attorney, who believes that if he's interested in purchasing the Minnesota Twins he can make that attempt or effort at the same time.

Now, I intended to call him back tomorrow and tell him that. Maybe after this I won't have to.

Mr. BACHUS. In fact, I believe that he actually did say that you weren't sure what the protocol would be and you would find out and get back to him. So I didn't want—I don't want to misrepresent. You know, I would suggest to you if the league has financial problems, which from reviewing some of this I believe in fact you do, you have a real cash flow problem, as the Governor said, you know you are paying some players—you're paying a lot of money to players. But I don't see how buying out two of the teams wouldn't benefit the other teams. I think selling one of the teams to Mr. Watkins would actually be a $200 million turnaround for the league.

Chairman SENSENBRENNER. Governor Ventura, it looks like you've been suppressed.

Governor VENTURA. I haven't been suppressed but there's been all the talk here that the Commissioner is saying, look, we can't end up like pro football, that's why we need this protection. The teams leave in the night. And they cited all the examples of it. Well, I'm confused. What's the difference of the team leaving and relocating in the night or simply being contracted and disappeared? To me that will hurt our Minnesota fans the same as any Cleveland fan got hurt, the same as any other fan that's got hurt through football, Los Angeles fans and this and that.

If you just simply

eliminate—I don't understand how eliminating these teams is going to solve this systematic problem you claim to have out there, and it's just very frustrating for us. And again, I bet you we'll be taken off the list if we agree to build a new stadium. I bet magically another team will appear on the list to be contracted rather than Minnesota.

Thank you.

Mr. BACHUS. Let me simply—I would ask for your assurance, Commissioner, that the fact that he has—that he is very interested in buying a team, he's interested in buying a team at this time and he is making inquiries, that he won't be scrutinized or singled out as, you know, someone that's interfering with—.

Mr. SELIG. Not at all. We're always delighted when there are people interested in buying a team.

Chairman SENSENBRENNER. The time of the gentleman has expired.

The gentlewoman from Texas, Ms. Jackson Lee.

Ms. JACKSON LEE. Thank you, Mr. Chairman. Gentlemen, thank you for your testimony. I am going to be very, very quick in my questions because in this Committee my 5 minutes equals a New York minute. So I will be talking very quickly to you.

I do want to thank the Baseball League for their patriotism and their spirit after September 11th. We rallied in our respective communities, and I thank you because the spirit was necessary and you added to it.

Let me as well pose some abbreviated questions again, Commissioner. Do you know of any other leagues, NFL, National Basketball Association, Hockey, have 83 percent of their various franchises losing money? Is there any comparable set of circumstances right now that we could look at?

Mr. SELIG. I can't comment on other sports. But I am sorry to say that the answer is no, I'm afraid that our losses are more severe than any other sport.

Ms. JACKSON LEE. One of my concerns is the stability of baseball, America's pastime, the opportunity for young people to participate and as well the opportunity for those in Minnesota and every place else to participate. Have you made any predisposed decision on who goes and who stays?

Mr. SELIG. Not yet. We're still—I meant what I said before, Congresswoman. We are looking at all the criteria, trying to fit contraction with all our other proposed solutions. We'll do that in the near future.

Ms. JACKSON LEE. Let me take you back to the 1990's. This exemption did not—you didn't have this protection. What would have happened in the 1990's, when we were going through those difficulties?

Mr. SELIG. There is no question that there would have been teams who wanted to move and I probably could not have stopped them.

Ms. JACKSON LEE. Let me just say that Houston is a tale of two cities. We lost our NFL franchise in a very ugly and unfortunate set of circumstances, unlike the maintenance of our baseball franchise, after long and collaborative and painful deliberations to save it. Can you comment as to the fact of our situation, whether or not the posture that you are in right now helped us deliberate and allowed a town like Houston to save its franchise?

Mr. SELIG. There is no question in my mind that Houston is the prototype example of what happens when you have an exemption and you're able to stop it as opposed to when you didn't. And of course the Houston Oilers are now in Nashville.

Ms. JACKSON LEE. On behalf of the fans of the Houston Astros do we have a chance of maintaining the Astros in Houston?

Mr. SELIG. No question about it.

Ms. JACKSON LEE. Governor, let me say this, I'm interested and I agree with you, I don't like intimidation. But I want to understand what your thoughts may be about a real fix. You're here supporting this legislation. But what about the issues of salary restraints? I think the world of the players. $250 million? What is your comment on that?

Governor VENTURA. Well, my comment on that is that Commissioner Selig has said they're going to lose $500 and some million, I think was his quote, this last year. Well, they'll pay that out to three or four players. Because you've got free agents out there right now—Mr. Bonds is going to get over a hundred million no doubt. Mr. Jason Giambi, they've said he's going to go well over a hundred and some million. If you look lately, Andruw Jones, a fine young outfielder for Atlanta, who batted a whopping .250, just got a $75 million contract. Now, if I were Harmon Killebrew today I would be beside myself. And not only that, I can imagine if he had hit .300 what it might have been. He was only successful one out of four times.

Ms. JACKSON LEE. Governor, we thank you for your leadership. The two of us are now in respective political positions. Nobody is trying to give us—not that we're asking for it, but we're not in that league, as they say. You think that would be a reconsideration to be addressing issues like that?

Governor VENTURA. Well, the problem out there is they're paying their employees too much money, you know, and it's just going to continue to escalate and go up and up. And in our case, if we build a new stadium we'll probably get saved. But how long will that save last when the prices continue to go up and the stadium is then outdated in 5 to 10 years.

Ms. JACKSON LEE. Let me thank you. Let me just finish this, Commissioner. What will this do to the minor leagues? As I close, let me associate myself with hoping that we can look at Mr. Gregg's situation and minority employment. But what would happen with the minor leagues, I'm sorry, if we had this particular legislation?

Mr. SELIG. It would in my judgment and the judgment of the National Association people, the Minor League people, I think it would have a very serious effect on it. It would upset, as I said earlier, the delicate balance. There is no question about that. I think this bill also removes some of the wording that they felt protected them in the Curt Flood bill of 1998. So I think this bill has very serious repercussions for the minor leagues.

Chairman SENSENBRENNER. The gentlewoman's time has expired.

The gentleman from North Carolina, Mr. Coble.

Mr. COBLE. Thank you, Mr. Chairman. Good to have you all with us.

Commissioner, you said earlier that baseball is very popular now. Gentlemen, major league sports have turned me off, mainly baseball specifically, other sports generally, because of the obscenely excessive salaries. I'm turned off. Now, I share that with you because fan appeal, I think, is important to all of you. Now this past World Series I didn't see one game all of last year on television or in person. But Commissioner, I have a constituent who plays for the Diamondbacks. So I adopted them as my team. And they were the under dog, too, so that was another reason. But as an indication of my lack of faith in that last game when the Yankees took the lead, I turned off the television and went to bed and read about it the next morning. I know that bothers you, Commissioner, but the salaries—Governor, you mentioned it—they were obscene.

Now, having said all that, Mr. Fehr, let me put this question to you. Has the Curt Flood Act of 1998 had any practical effect on the freedom of players to negotiate individually with baseball teams, A, and, B, has it contributed to the very high salary contracts now being paid to the top players?

Mr. FEHR. I don't think it's had any effect so far because it is something that is used as a backdrop to collective bargaining that puts the players in the same position as the players in other sports and, hopefully we'll find out before too long, will make it much more easy to establish a new collective bargaining agreement without a work stoppage. I would like to defend Andruw Jones, with all due respect. He's one of the greatest outfielders that's ever played the game defensively.

Mr. COBLE. This is on my time now, Mr. Fehr. So how about the salary question?

Mr. FEHR. And the salary question again was?

Mr. COBLE. Has it contributed to the—.

Mr. FEHR. I don't think it's had any effect so far on the salaries.

Mr. COBLE. Mr. Fehr, to use my word, the obscenely excessive salaries.

Mr. FEHR. Could I disagree with your word?

Mr. COBLE. You may indeed but answer my question. Has it contributed to it?

Mr. FEHR. I don't think so.

Mr. COBLE. Let me ask you this: Does the Players Association's declared opposition to a salary cap help or damage the majority of professional baseball players, many of whom receive the lower salary?

Mr. FEHR. The players have long believed that it is not in their interest to accept a salary cap. They of course will talk about it if and when the clubs bring it to the table. We did that last time. But they in general are opposed to a salary cap. They believe in a market-based system. They would prefer to do something different.

Mr. COBLE. So that's why the players union, I guess, has not supported salary sharing, right?

Mr. FEHR. You mean revenue sharing?

Mr. COBLE. Yeah. Actually called it salary sharing.

Mr. FEHR. You mean the revenue sharing from the owners?

Mr. COBLE. Salary sharing is what I mean.

Mr. FEHR. Well, I don't know what you mean by salary sharing.

Mr. COBLE. Tell me about revenue sharing.

Mr. FEHR. Revenue sharing is sharing some of the money among the clubs. As the Commissioner indicated, there is a great deal more sharing in baseball than most people know, a great deal more than there was just a few years ago. In fact, the players were very involved with negotiating that system in the last collective bargaining agreement, and we are committed to negotiating a revised system in the next agreement and have extensive discussions about that. But it gets complicated.

One of the questioners mentioned the straight pool concept in the so-called independent blue ribbon report. Well, the straight pool concept, according to our analysis and our economist, doesn't really help the teams at the bottom, it helps the teams in the middle. So there are things to talk about.

Other things come to mind. Just look at the figures that have been provided. Look at the operating revenues, profit and loss for this year, add and subtract the revenue sharing depending on whether the teams pay or receive and you'll find some odd things. I think you'll find the Dodgers on the bottom for the year 2001 and the Brewers on the top. In general, I think you'll find a lot of people—.

Mr. COBLE. Time is running. You indicated you disagree with me. I think what you said may well be subject to interpretation as well. But we can disagree agreeably.

Gentlemen, I've heard it said that expansion teams result in the inferior pitching. If you get rid of those two teams, Commissioner, can you guarantee me that the pitching will be superior?

I'm just kidding.

Mr. SELIG. A lot of things I don't mind guaranteeing, but I am not going to guarantee that.

Mr. COBLE. Good to have you all with us.

Governor VENTURA. I could guarantee it. The Twins have a fine young pitching staff. If it gets dispersed throughout the league, yes, the pitching will improve for the 28 other teams.

Mr. COBLE. Mr. Chairman, my New York minute has not expired. I will return the balance of my time.

Chairman SENSENBRENNER. It's expired now.

The gentleman from New York is recognized for a New York five.

Mr. WEINER. Thank you, Mr. Chairman. First, let me say I think baseball has done a terrific job recently, you know, 30,000 some odd average attendance, some great pennant races, some teams in the mix that are generally considered the have nots, teams like the Phillies who were in it till the end, great ratings in the World Series. I should make it clear I obviously represent the haves in this, the hated Yankees and the Mets, and for the most part those teams have been very successful and well managed, a whole mix-up in the 2000 World Series notwithstanding and the Olerud thing, which I still don't understand. And I don't know why the Mets didn't make a play for Sheffield, but I digress.

I think you have done a good job as Commissioner. I think we have had a period of peace and I have been particularly impressed with your management with the Brewers because it's always a good weekend when the Brewers come to town.

Chairman SENSENBRENNER. Those words will be stricken from the record.

Mr. SELIG. Thank you, Mr. Chairman.

Mr. WEINER. But I have to say for the record in the context we've had this hearing I think eliminating the Twins is a horrible idea. They were an exciting fun baseball team to watch, a storied tradition, a team that by some measures has made money. As far as the Expos are concerned, you want to contract something, get rid of that owner. That owner is a disaster. Having no TV rights for the games. It just doesn't make any sense. That's a guy who seems to me to be trying to make his own argument for why his team should be eliminated.

All of that being said, I think that many of us as fans agree with Governor Ventura saying it kind of reminds us of the kid who kills his parents, then begs for the mercy of the court because he's an orphan. A lot of the problems that have been created and unfixed have been unfixed by choice.

Mr. WEINER. And even with the protection of the antitrust exemption, the choices that the 30-some-odd owners have made have not been brilliant ones. You know, you have decided on expansion choices.

Miami. You know, Miami intuitively, without a roof, when it rains at 2:15 p.m. every day, when it is 170 degrees outside, when you have an average crowd there that eats dinner at 3:15 p.m., you know, you should be—you should be thinking that maybe it is not such a great place to go.

Tampa Bay chosen for expansion. Similar problems have emerged. With all of the clamoring for stadiums, it is not like this is an organization that has been around a long time. I mean, these stadium things should have been conceived of.

And I think it is only fair, Commissioner, to point out when there is expansion in the league, there is a much greater windfall for the league owners than there is when a team moves, that there is a benefit to shut down a team and then reopen two teams a year later because expansion money benefits the teams. I think we should be fair about that.

I think, you know, your choices of stadiums. Everyone now has to build a certain type of stadium. Well, it is you guys that decided to build that crazy stadium in Colorado, which is like watch Wiffle ball whenever they play there. As I said, you decided to set up the situation in Miami, which was a stadium mistake.

And so I think the decisions that you have made with the antitrust exemption, with just the 30 owners in a room haven't been the best ones. All of that being said, I also am troubled, as Mr. Meehan is, about whether or not the decision to eliminate the antitrust exemption solves the problem.

Now, a couple of times it has been mentioned today that minor league teams would be jeopardized. I am curious about that, because the carve-out that is proposed in Mr. Conyers' legislation leaves that kind of—it strikes me that it still leaves the ability to have relationships with minor league teams.

Why is it that minor league teams would be jeopardized—just kind of walk me through that. Why would the relationship with minor league teams be jeopardized? If anything, it might make it possible for more minor league teams to open up, because the territorial protections would be eliminated, I think.

Mr. SELIG. I would like to comment on all of the things you said, but I think that would take a long time. So I appreciate your very strong opinions on a lot of subjects. But, as far as the minor leagues are concerned, there are two things that I have said. We have—baseball is the only sport that subsidizes its minor league system, because that is how we produce players. We don't have the colleges, and we don't have other things. And so we have a very delicate balance. We have 177 national association minor league cities. The clubs spend $150 plus million each year on that system.

The minor leagues feel and we feel that it would—that stripping the antitrust exemption makes that a very tenuous economic arrangement. It is a very, very tenuous economic arrangement.

Mr. WEINER. I just have like 30 seconds. Do the players agree with this? Does that measure—.

Mr. FEHR. No. The players do not agree with it. I think one thing that is important to think about here is will we lose a number of minor league teams if there is contraction?

Mr. WEINER. Let me just ask one final question. Will you waive the confidentiality agreement that you have for the purpose of this hearing to allow the representative of the players to freely discuss information that he has about financial—about the financial numbers? He has stated in his testimony he has been prohibited from doing that by a confidentiality agreement. In the interests of full disclosure, would you free up the players to speak freely in this hearing?

Mr. SELIG. They have—they—we have given you everything that they have except many of our discussions with negotiations relative to many of the subjects that are at hand right now during negotiations.

Mr. FEHR. That is not quite right.

Mr. SELIG. Look, I can only tell you what our people have said. In the meantime you have audited financial statements of every team for 6 years, plus this year you will get the audited financial statements. Obviously the year is still running. You have all of the other information. And I can't imagine what other information is necessary as we will—as we have said—.

Mr. FEHR. I have known Mr. Selig a long time. If the—.

Chairman SENSENBRENNER. The gentleman's time has expired. Next up is gentlewoman from Pennsylvania, Ms. Hart.

Ms. HART. Thank you, Mr. Chairman.

I am glad some of my questions have been answered. But I have to ask a couple of questions because I did live through one of these stadium dramas in Pittsburgh. At my tender young age, I have seen my Pirates play in three different venues in Pittsburgh. And a couple of years ago we imploded a 30-year-old stadium that I think was driven to be built by the league because our other stadium was bad. But the new stadium we built was pretty much like the old one.

So it is pretty strange, the first one, that is. The third stadium and the first stadium are very similar.

I was a State senator at the time, and weathered a lot of opinions very similar to the Governor's, which I do understand and agree with partially that why should the taxpayers have to fund this venue?

I looked through the blue ribbon panel's report a little bit, and I do disagree with the Governor somewhat about baseball being just a business. It is sort of a civic enterprise. I ended up supporting our new construction because I believe that it is more than just your regular business.

Yes. It provides employment, but it provides a lot more spin-off, the tourism aspect, other businesses and civic pride, which I do actually see as something that is tangible, now especially that we have had ours completed. I am doubtful that this plan for contraction is going to be a significant part of the solution to the problem.

I want to address to the panel, when you looked at these recommendations from the blue ribbon panel, and they talk about a number of things, do you see contraction as a top goal? I don't. But, do you?

And the other question that I have, really, is how does removing the exemption, for those of you who support it, how in the world, can it actually make the situation better than it is now?

So two questions: One, how is contraction going to help us? I—I have seen other solutions suggested that are real, but for some reason, and I think this is actually to Mr. Fehr. I think one of the biggest answers is salaries.

I want to know why contraction is better than salaries. I want to know, for those of you who support other reasons aside from contraction, what they are—not reasons, other ways to save baseball.

And then finally, I can't see any way that this exemption, this removal can help baseball. So have at it.

Mr. FEHR. Well, as Mr. Weiner was asking Mr. Selig at the end, if we could give you our analysis of baseball's financial information, we believe you would see a somewhat different picture at the moment. We are not really free to do it. I don't think the Committee has everything that the players have. But that really isn't the question.

The question is, whether they—the players will be allowed to talk about it and explain the data that we have. I don't think contraction is a viable solution at this time. I think one way in which passing this bill might help the people of Minnesota, and I think the Attorney General of Minnesota feels this way, is it would give them the lever of filing an antitrust claim, and I think they probably think that they have a pretty good case if baseball should suddenly, on this type of record, on this type of notice, eliminate the Minnesota Twins that have been there for more than 40 years.

Ms. HART. So you don't look at it as a tool to save the league, you look at it as a tool that can be used by certain cities to save their team, more or less at this point?

Mr. FEHR. Contraction?

Ms. HART. No. The antitrust exemption's removal.

Mr. FEHR. I think the removal of the exemption would at least give these cities, States, fans, the right to go to court and challenge the action.

Ms. HART. Okay. Anybody on the—we have a vote, but before we do, I would like to know anybody who else supports—I guess the Governor. You support removal of the antitrust exemption. Do you see it also as a tool for Minnesota to keep their team?

Governor VENTURA. Not necessarily a tool. Certainly we could use it. But I support the removal of it, as I said in my prepared statement, just out of fairness.

Ms. HART. So you are more or less——

Governor VENTURA. We don't allow—to sit and say baseball is not a business today, let me say I come from the world of professional sports. The moment you accept money for an athletic endeavor it is no longer sport, it is business.

Ms. HART. I don't disagree with you that it is a business. My point is that it is different than professional wrestling, because it is a community thing that sits there, exists, it brings people out, it brings tourism in.

Governor VENTURA. Well, that can be argued. When, you know, the World Wrestling Federation is selling out very strongly in a matter of moments every arena they go to. But there is a difference. Professional wrestling goes into existing buildings and earns them money and doesn't ask communities to build them their own building in which to come in and perform.

Ms. HART. It isn't resident and a community-like baseball team.

Chairman SENSENBRENNER. The time of the gentlewoman has expired. It is now time for the 7th inning stretch. We have two votes which will take probably 25 minutes in total. We have arranged for places of reflection for the witnesses so that they aren't badgered with questions from members of the press and members of the audience.

We will resume questioning when we get back. And the first stop will be the gentlewoman from California, Ms. Waters. So if you can hustle on back, you will be recognized first. The Committee stands in recess.

(Recess).

Chairman SENSENBRENNER. The Committee will be in order.

Ms. Waters not being present, we will put her at the head of the line. The Chair recognizes the gentleman from Pennsylvania, Mr. Gekas.

Mr. GEKAS. I thank the Chair. Several questions pop up because the record is already being made in this enterprise here today to the effect that adopting this legislation would not help but actually possibly destroy the minor league system.

We have testimony to that effect and we have back-up statements fulfilling the record to that degree. If indeed the passage of this bill destroys minor league baseball, then we have to assume the other logical tenet that if we retain the exemption as—as some of the testimony preferred, then that should mean that the minor league franchises will remain intact.

But then the question comes up: If you cut two major league teams, what happens to the franchises of those two teams? I would like to ask that question to——

Mr. SELIG. Congressman, those are details that we are going to work out. It doesn't necessarily mean that we would have less minor league teams. That is something that we will work out with the National Association of Minor Leagues of which we have a very close relationship. And it is entirely possible that there are some clubs that may want to add a club or two.

Mr. GEKAS. So that if Montreal becomes one of the teams that is disaffected by these moves, that means that its franchise, Harrisburg, Pennsylvania, where I reside and which area I represent, could rely on what you have said here now, that the other teams would look to that franchise as a possible addition to their minor league system, but there are no guarantees beyond that. If they are left without a major league sponsor, what happens to a minor league team?

Mr. SELIG. Well, they have to find—obviously they have to find a major league sponsor. Obviously we are always looking for good minor league sites, which certainly Harrisburg is. So I am not willing even today to say to you, well, we are just going to forget about—we are just going to cut down because we are cutting two teams off. That does not necessarily follow.

Mr. GEKAS. Yes. The Governor wishes to——

Governor VENTURA. I would like to expand on that. Wouldn't, by getting rid of this, open it up that Harrisburg could then have the opportunity to have more than one minor league team bid for their area rather than by holding with the antitrust, you are only going to maybe get what baseball will give to you.

Mr. GEKAS. I am not prepared to assess what the consequences would be if we adopted this amendment to minor league baseball. I am going on the basis of what the record now shows, that it would destroy it.

So I have to operate from that angle. I want to see what lies in the future of these minor league teams. The best foot we have here is a notion by the Commissioner that well, we will look at Harrisburg and other minor league teams and hope that some other major league team adopts them. That is where we are in that regard.

Mr. FEHR. My understanding, Congressman, is that the agreement between the majors and the minors expires after 2003, I think. So to the extent that there are now five or six minor league franchises per major league team, if there are less major league teams, I think a fair question to ask is, is there likely to be 10 or 12 less minor league teams after 2003?

Mr. GEKAS. Well, that is the same question I asked, but you asked it in more numerical terms. The question recurs, that if the two teams are cut out, does it or does it not portend a bleak future for X number of minor league teams?

Mr. SELIG. I think the answer to that at this moment is not necessarily. These are details we need to work out.

Mr. FEHR. The answer is I don't know. I guess—I really don't know why anyone thinks that adoption of this bill would destroy the minor leagues. I believe it has the same protection for the minor leagues that were passed in the Curt Flood Act.

Mr. GEKAS. Well, thus far, I am operating on that basis. You are going to have to disabuse me of my conviction in that regard.

But while you are speaking, Mr. Fehr, why hasn't there been any talk about the willingness of the players and the unions and the professionals who represent them to enter the fray with their own version of salary caps?

Mr. FEHR. Well, because players believe in markets and don't believe their salaries should be artificially capped, I think is the answer. Most Republicans tend to agree with that response.

Chairman SENSENBRENNER. The gentleman's time has expired.

The gentlewoman from California, Ms. Waters.

Ms. WATERS. Thank you very much. We don't have much time. I would like to ask Mr. Fehr, do you believe that you have information that is being sought by Members of this Committee that has not been given to us that you have gotten from the Commissioner?

Mr. FEHR. I believe that we have been given a great deal of information over the years, and we have a lot more information than you have.

More important, perhaps, is the question of whether we can be released from the confidentiality arrangement with the clubs and allowed to tell the Committee what we think of the information.

Ms. WATERS. I have a letter here dated November 30th signed by Robert D. Manfred, Jr.

Mr. FEHR. He is in the room.

Ms. WATERS. Who is obviously one of the labor counsel, executive vice president, who says that in light of the position taken in your letter, I feel compelled to advise you that Major League Baseball and its member clubs will pursue all available legal remedies, including the recovery of damages for any and all losses it and they may sustain in the event you violate the obligation to maintain the confidentiality of the information that you have in your position.

Were you threatened—do you feel that you were threatened? And do you feel that you cannot answer our questions because you will be sued by the Commissioner?

Mr. FEHR. I feel that right now they are saying that if we give you detailed financial analysis and our opinion of what the data shows, that they are going to, as that letter indicates from Mr. Manfred, bring claims against the union.

Ms. WATERS. Thank you.

Commissioner, you have a Federal exemption and you have a responsibility to cooperate with us. Will you give us the information that you—that the union has in its possession?

Mr. SELIG. We have given—as I said before, this is—no American sport has ever given this kind of information——

Ms. WATERS. Commissioner, will you give us the information that Mr. Fehr just alluded to that is in his possession? Will you give us what you have given to the union?

Mr. SELIG. Not—the information that—the only information that we have not given has to do with what we believe are collective bargaining issues that we believe there should be confidentiality on.

Ms. WATERS. So you will not give us the information that you have given to the union. Will you permit the union to give us that information?

Mr. SELIG. That is something that has to go on between our lawyers. But they have a confidentiality agreement. I think that things went on—that are going on during collective bargaining should not be disclosed. I think we have a right not to do that, and I think that is the right that our people have chosen to exercise.

Mr. FEHR. Could I make a point?

Ms. WATERS. Yes, you may.

Mr. FEHR. For example, I believe, based on the information that you have of these enormous losses occurring in 2001, four of them come—excuse me. Half of the losses come from four clubs: The Dodgers, the Braves, the Rangers and the Blue Jays, all thought to be well-to-do teams, all teams purchased in the immediate past by media conglomerates. Ought that not to raise some questions as to what those losses are?

Would you not like an explanation of how they can take such losses? We would like to give it to you.

Ms. WATERS. We would like an explanation. Let me give you a quote, and I will read it to you. “Anyone who quotes profits in a baseball club is missing the point. Under generally accepted accounting principles, I can turn a $4 million profit into a $2 million loss, and I can get every national accounting firm to agree with me.” Paul Beeston, then a Toronto Blue Jays vice-president, now baseball’s chief operating officer.

So you see why we are pursuing this? You have a Federal antitrust exemption and you want to protect it. The Federal Government, Members representing—the Congress of the United States are asking you for information so that we can make a determination about all of the losses that you claim to be sustaining and the actions that you want to take to contract these clubs.

But what you are saying to us today is, despite the fact that you have this exemption, despite the fact that we are asking you for this information, you are not going to give it to us and you will sue the players if they give it to us. Am I to conclude that that is what you are saying to us today?

Mr. SELIG. I don't believe that I am.

Ms. WATERS. What then are you saying?

Mr. SELIG. I am saying that we have given you all of the financial information that all of us worked with. You have all of the numbers. All of the statements have been audited, except for this year.

Ms. WATERS. Mr. Selig, let me remind you, you are under oath.

Mr. SELIG. Well, you have audited financial statements for 6 years.

Ms. WATERS. Let me remind you that you are under oath. I am going to rephrase my question.

Chairman SENSENBRENNER. Well, the gentlelady's time has expired. And now it is the turn of the gentleman from Virginia, Mr. Goodlatte.

Mr. GOODLATTE. Thank you, Mr. Chairman. I appreciate your holding this hearing. It has been very enlightening. Mr. Chairman, one of the issues that has come up here is whether or not minor league teams, of which I have two in my district, in Roanoke and Lynchburg, Virginia, will be harmed in this legislation were, to be passed. And the arguments of those who say it will not be harmed is that this language tracks the language of the Curt Flood Act. And I want to submit for the record the letter of Mr. Brand, who is with us here today, Stanley Brand, to you, Mr. Chairman, detailing at great length why this legislation does indeed not track the language of the Curt Flood Act and does so in a very, very distinct, different way that would potentially harm those minor league teams.

So, I am not in favor of this legislation. However, I will tell you that—Mr. Selig, that we were here in this room, what, 7 years ago, before all of the figures that went up on those charts from 1995 to 2001 talking about this very same issue. And all that has happened since then is that the picture has gotten even worse, has gotten bleaker.

Now, given the fact that Congress has given to you a very special—and the courts—have given to you a very special position in the law, in terms of antitrust exemption, how is that that has occurred? We have given you all of the protection that you can have to put this together. The reason we have done it, for anybody who is interested is, we want a competitive Major League baseball system.

And you have given us the statistics which clearly show that we don't have that, that the teams that have the smallest revenues and the lowest profits are totally uncompetitive in Major League Baseball today. And that—we watch as we see—even as this hearing takes place, that Mr. Giambi has signed on with the hated New York Yankees for $128 million for 7 years. My goodness, what more do they need than what they have already got? I guess a little bit more since they didn't quite make it this year.

But year after year after year, I see them go that way. And my question to you is this: What is it going to take for you to exercise the power that you have been given to work out an arrangement amongst your team owners that will allow us to do this? I don't believe this cutting back of two teams will solve the problem. It certainly doesn't solve the problem for my Virginia constituents who would like to see a team in Virginia.

And let me ask you one specific question in that regard. Do you operate like the House of Representatives where the majority vote rules, or do you operate like the U.S. Senate where one owner, say the owner of the Baltimore Orioles, can block the action of the entire group of team owners so that Northern Virginia can't get a team?

Mr. SELIG. No. We operate—most of our votes are either majority or there are some issues that require three-quarters. We have no other rules. Baseball used to have rules where one person could stop it.

Mr. GOODLATTE. Is moving a team one that requires three-quarters?

Mr. SELIG. Three-quarters, yes.

Mr. GOODLATTE. So the owner of the Orioles and a few friends who might be concerned about——

Mr. SELIG. But that issue hasn't come up. In all fairness, that has not happened. You asked what it will take, if I may go back to your previous question about—since the last time—when I was here 7 years ago.

Frankly, the two issues that need to be resolved, as I have said earlier, are more revenue sharing and some significant salary restraints.

Mr. GOODLATTE. Why don't you do the revenue sharing? You have had 7 years to figure it out.

Mr. SELIG. Well, look, the clubs now share $165—send $165 million from the top six to the bottom six, more than ever——

Mr. GOODLATTE. You just showed me a chart that showed that the New York Yankees——

Mr. SELIG. Because those two items are 6 times what the smallest teams are. Those are not things that we can do unilaterally. Those are subjects that need to be bargained collectively with the players. Up to this point, we have not been successful in doing that. We have not been successful in sharing the kind of revenue that you are talking about, or the salary restraints.

The owners, as I said earlier, are willing to do that. And, as a matter of fact, the blue ribbon report, which I put together and I have said publicly many times and many places, is my road map. And so the fact is, you know how I feel. But, that isn't something that I can unilaterally impose, even with the authority given to me.

Mr. GOODLATTE. Mr. Fehr, why can't we get the players to do the kind of real revenue sharing that it takes to make these teams competitive across the board? Is it because the players know that if all of the teams are able to bid competitively you won't have $128 million bids by the Yankees that nobody else can match?

Mr. FEHR. I don't think that is why it is at all. Again, there is a lot more revenue sharing in baseball than there was 6 or 7 years ago. The players helped design that system.

Mr. GOODLATTE. The situation gets worse, not better.

Mr. FEHR. I disagree. I would like to have a chance to explain why.

Chairman SENSENBRENNER. Would you like to explain why? Then I will recognize Mr. Delahunt.

Mr. FEHR. Things are not really as simple as they seem. For example, five of the eight teams in the playoffs last year, Seattle and Cleveland, I don't know what we can consider them now, we used to call them small markets, and 10 years ago they would have been contraction candidates.

Arizona, up until a few years ago was thought of as too small to have a major league team. St. Louis, a middle market, and Oakland, a contraction candidate and thought of as a small market team.

Does that mean there is no competition in baseball? There is a Law Review article that was published within the last year arguing with the conclusions in the blue ribbon report that Mr. Selig said that he put together that says look at the variables in a different way and you come to a different conclusion.

Instead of looking at who won playoff games based on payroll or revenue, he divided it by market size. And he discovered that despite the success of the Yankees in the period 1996 to 2000, more than half of the playoff games in that period were won by teams in the markets that he labeled as 16 through 30. So it gets complicated. We have talked about revenue sharing. We talked a great deal about it this year. We will talk about it a great deal more. We are working on it.

Chairman SENSENBRENNER. The gentleman's times has expired. The gentleman from Massachusetts, Mr. Delahunt.

Mr. DELAHUNT. Thank you, Mr. Chairman.

I found this very entertaining and informative. And, I mean, think we have really got to be—we have to stop kidding ourselves and kidding the American people. Governor, I have to agree with you. I think that we all can agree, this is a business. This is not a sport.

Now, maybe it was a sport in 1922, but they played hockey outside in 1922. You know, this is a business and a big business. Today, you have wealthy ballplayers who believe in free market economics, I now discover. I am sure that the—some of them have an MBA. And then you have wealthy owners, whom I am sure enjoy the status of hanging around in the clubhouse and passing, you know, bits of gossip. But this is a business.

And, Governor, I think you and I agree on that. I heard your testimony. But this whole idea of contraction now, I mean, you as a Governor and being familiar with State legislatures, can you imagine any responsible Governor or State legislature ever funding a new stadium given the realties of what we have heard today?

Governor VENTURA. No, I cannot. You know, they have talked—Mr. Delahunt—about that they have shared $165 million, in sharing. Is that the figure? $165 million would barely cover Mr. Giambi's new contract. How is that sharing going to give——

Mr. DELAHUNT. I am trying to figure out why there should be any exemption. Can you explain that to me, Governor?

Governor VENTURA. I cannot.

Mr. DELAHUNT. Why? Why should there be any exemption whatsoever?

Governor VENTURA. There should not be any exemption.

Mr. DELAHUNT. It goes right back to what you said about fairness.

Governor VENTURA. That is right. It is a business. All of our other businesses in the United States of America have to operate under the same set of rules. There should be no exemption whatsoever.

Mr. DELAHUNT. Absolutely. You know what I find interesting is that we talk about baseball economics, we talk about competitive advantage. What about the fans? You know, what are the criteria in terms of, you know, the selection or the sale of a team, the Boston Red Sox, for example? Does it go to the highest bidder or are there other criteria?

You know, what about local ownership, people who are involved in the community, or it is just an adjunct to some you know cable TV network. What are we talking about here?

Commissioner, can you tell me, are there—is there any criteria other than the bottom line? Is this what it is about, the sale of a franchise that is historic like the Boston Red Sox.

Mr. SELIG. Well, number one, that is in process. But, baseball's record in keeping teams with local ownership, with local ownership bending over backwards, I mean, we were talking about Pittsburgh before, Cincinnati, Milwaukee, I can go on and on. Kansas City, everywhere.

Mr. DELAHUNT. Do you agree with me that now this is a business, this is about TV rights, this is about corporate boxes, this has got nothing to do with fans and local communities? I mean, that is where we are really at.

Mr. SELIG. Well, look, all I can tell you about that is that baseball's kept its ticket prices at far lower than any of the other sports.

Mr. DELAHUNT. That may be, but would you answer my question. We are talking—this is a business, isn't it? This has got nothing to do with fans or civic involvement.

Governor?

Governor VENTURA. Let me add something to Mr. Selig on ticket prices. You also play far more games than any other professional sport. So therefore, you have the opportunity to have lower ticket prices, because you play what, 162 games.

Mr. SELIG. Governor, we play 81 home games. Our average ticket price was $16. The other three sports are over $50. I am very proud of what we have done. Less than one third.

Governor VENTURA. Yes, and NFL Football plays eight home games.

Mr. SELIG. Well, I know. But the other sports play 41 plus. But I am not here to talk about them. I do think, Congressman, that we have acted in every franchise that we have been in over the last——

Mr. DELAHUNT. I don't have enough time. But would you agree that it is a business now? Let me rephrase it. I am concerned about what is happening in Boston with the Red Sox. Are there other criteria other than the bottom line in terms of the decision to be made as to the sale of this historic franchise?

Mr. SELIG. Absolutely. It is a historic franchise. It is.

Mr. DELAHUNT. Can you tell me what those criteria are?

Mr. SELIG. A lot of them criteria. Depending on the quality of ownership, what the local situation is, what they are willing to do. Absolutely. There is no question.

Mr. DELAHUNT. That is good to hear. I do want to conclude by thanking you for solving a mystery for me, because I know the Red Sox have a very, very high payroll. And it—they should have won a World Series between now and 1918. They haven't. And that—that curse of the Bambino, God damn it, it is real.

Mr. SELIG. I was just going to say to you, it is the curse of the Bambino.

Chairman SENSENBRENNER. The gentleman's time has expired. The gentleman from Arizona, Mr. Flake.

Mr. FLAKE. Thank you, Mr. Chairman.

Allow me to don my Diamondbacks hat for just one question for Mr. Selig.

The Arizona Diamondbacks, the National League defending champions and World Champions, I have to add, want to defend their National League title next year. Will they be allowed to or will they be moved to the American League. If so, I walk out right now.

Mr. SELIG. I think it is a fair assessment to say that they will defend their National League title next year.

Mr. FLAKE. We can remove this for this part of it. I just have a question for Mr. Fehr. You talk about the players loving the free market. Would you support then, if—if you like the free market, an entire repeal of the antitrust exemption or just a half hearted measure here?

Mr. FEHR. Donald Fehr has testified in—on the Hill probably 20 times in 20 years. And I think over that time he has long said that he sees no reason for the exemption, and that it should be repealed. That is his position, I believe.

Mr. FLAKE. Mr. Ventura, would the XFL have survived with an antitrust exemption?

Governor VENTURA. Well, it really needed Vince McMahon's money behind it for a few years. Would it have survived with an antitrust exemption? Yes, I believe so. Because if there was no other football league, you would have only one to choose from. And so there would have been no competition from the NFL even though our seasons were purposely not at the same time.

But, yes, with an antitrust exemption, I believe wholeheartedly—that was a very good question—I believe wholeheartedly the XFL would have survived.

Mr. FLAKE. I thought you would like that one.

Mr. Selig, you mentioned the problems. I am well aware of them. The Arizona Diamondbacks arguably, not arguably, do have the best franchise in baseball right now, and I would argue the best owner in baseball. Yet, they—they lost $30 million this year despite having a windfall of about $20 million for going all of the way through the playoffs and the Series.

What is it that is making football and basketball more profitable and indeed more stable than baseball at the time without the exemption? We have talked about player salaries. What else is it? Player salaries are two-thirds, I believe, of all revenue in baseball. But what else?

Mr. SELIG. I think the answer is obvious. They have systems that work. As you know the NFL, through the efforts first of Pete Rozelle, many years ago, and now Paul Taglibue, and the NBA, the system that they have, they have economic systems that work.

And baseball quite candidly does not. It is obvious that it does not. And they have been able, through collective bargaining, to come to both revenue sharing and salary restraint that is meaningful. And our system is just badly flawed.

Disparity has—we have gotten way out of hand, worse than any of us ever understood that it would. We knew it was bad, but we didn't think it was this bad. And so you get back to what we discussed earlier in the day. It is the system. And they have an entirely different type of system than we have in both cases.

Mr. FLAKE. Thank you. Mr. Bell. The—the antitrust exemption you are arguing here for partial exemption. I assume that you wouldn't argue for full—I am sorry, partial repeal. You would not argue for entire repeal of the antitrust exemption, correct?

Mr. BELL. No, sir.

Mr. FLAKE. Isn't that then just—the answer is no? Isn't this legislation just another way to game the system as it currently is?

Mr. BELL. Excuse me? Just another way to what?

Mr. FLAKE. Just to game the system. By just targeting the portions of the antitrust exemption, aren't we just gaming the system? I would find it difficult to oppose a complete lifting of the exemption of antitrust, but this partial exemption just seems as gaming the system as it currently is. Do you have a response to that?

Mr. BELL. I am not quite sure where you are going with it, so I don't think that I do.

Mr. FLAKE. Mr. Fehr, you seem ready to answer.

Mr. FEHR. I am struck by the ironies. We are told over and over the system is broken, and then there has been discussion of Cleveland, for example. But in Cleveland, with the NFL system and with the salary cap and all of this revenue sharing the Browns left. Under the baseball system the Indians stayed, and a sad-sack, remember the movie Minor League, a sad-sack small-market team became one of the leading revenue producers in the game.

And look at Arizona. Under the restrictions, I think in the blue ribbon report, I think it would have been much more difficult to put together a world championship team in the time that it did.

Mr. SELIG. I would just add that the—if you look at the NFL system, and you look at its teams, and then you look at baseball and you look at the economics, there is no question that the system is badly broken. And the fact that Cleveland, years ago before they built their new stadium or Seattle, they are medium-sized markets, and they were able to survive on that.

However, you look at Cleveland today, you have a team sold out for almost every game losing money. And the owner is quite concerned about it. So, taking what was true 10 years ago, this business has changed so dramatically, the sport itself has changed so dramatically in the 1990's that our problems have been magnified.

And therefore, even Arizona who has done a remarkable job and won a world championship in 4 years, it has been no secret out there, as you know, Congressman, that they are facing staggering losses. In fact, they have been written about all year long.

Chairman SENSENBRENNER. The gentleman's time has expired. Now, we go to the Minnesota hour.

Mr. Selig, would you like to stand up and take a deep breath before I recognize the first representative from Minnesota?

The gentleman from Minnesota, Mr. Ramstad.

Mr. RAMSTAD. Thank you, Mr. Chairman, for the courtesy of letting us nonmembers testify, or participate, rather. Also, it has been great to sit here and watch two longtime Minnesota friends, our distinguished Governor, and my other good friend, Jerry Bell. Appreciate your being here as well as the other two witnesses. Thank you for your indulgence and patience.

Also good to see a lot of Twins fans, Minnesota legislators in the audience as well. Let me just say, Governor, I agree with you 100 percent that the antitrust exemption is truly a relic of the 1920's that is no longer appropriate for modern baseball nor in the best interest of the American people.

I think it is unconscionable, and I use that term in a legal sense, that current law allows monopolistic power to dissolve baseball teams at will.

And as far as it relates to contraction, I certainly think the antitrust exemption should be lifted. That is why I have cosponsored this legislation. Let me ask you, Commissioner Selig, a couple of questions. Your counsel has not yet selected the teams for contraction; is that correct.

Mr. SELIG. No, I have not selected the teams along with the clubs. That——

Mr. RAMSTAD. The two teams have not yet been selected?

Mr. SELIG. That is correct.

Mr. RAMSTAD. Do you envision that selection, that contraction decision being made before the Minnesota lawsuit is resolved?

Mr. SELIG. That is to be determined. I can't give an answer to that today.

Mr. RAMSTAD. It hasn't been determined yet whether or not that will be contingent on the timing of the Minnesota lawsuit?

Mr. SELIG. Correct.

Mr. RAMSTAD. Ms. Jackson Lee earlier today asked you, Commissioner Selig, on behalf of the fans of Houston, "Do we have a chance of maintaining the Astros in Houston?" And you responded, "yes", very difinately. Let me ask you, Commissioner Selig, on behalf of the fans of Minnesota. Do we have a chance of maintaining the Twins in Minnesota?

Mr. SELIG. The answer to that question, I think, has come in the past 10 years. The Twins, I think, have tried harder—as hard as any team in baseball to get a new stadium built so that the subject was—hasn't been discussed.

As late as June they were discussing it. I don't think—frankly, in my own particular case, I have gone to Minnesota more than I have gone to any other site hoping to help them to get a stadium. That is where the situation is today.

That there is nobody that can survive up there without a new stadium. Nothing has changed.

Mr. RAMSTAD. If you can answer the question yes or no. On behalf of the fans of Minnesota, do we have a chance of maintaining the Twins in Minnesota? Is there a chance?

Mr. SELIG. We haven't made a decision. And I can't answer that until we have made a decision.

Mr. RAMSTAD. So you can't answer it as you did to Ms. Jackson Lee's inquiry, yes, very definitely.

Mr. SELIG. They have a new stadium with a long-term lease. That was an easy one to answer.

Mr. RAMSTAD. So it is not a fait accompli that the Twins will be contracted.

Mr. SELIG. There is no fait accompli yet. We haven't made a decision.

Mr. RAMSTAD. Well, I certainly hope, as Minnesota people hope, that the Twins are not contracted. The Twins, as you realize, Commissioner, and as all of you at the table realize, are a big part of our Minnesota sports, economic, and cultural fabric, and losing the Twins would be a huge loss to the people of Minnesota. It would mean $10 million lost just in tax revenues each year paid directly by the Twins and the players. Ten million dollars a year. Talk about exacerbating our State's budget problems, not to mention, of course, the great loss to thousands of diehard baseball fans, vendors and businesses in Minnesota.

You know, Wally the Beer Man is a legend in Minnesota. Worked how many years, Governor, has he worked selling? We knew him back at the Old Met. Wally came up to me and said, "Please, please, Jim don't let it happen. This is my life, my job." The—Dick, my friend who has been a vendor since college, we graduated together at the University of Minnesota in 1968, has worked there as a vendor, I know making a lot more money than I have made in public service, saying, "Please, please, do what you can. Don't take this job away from me, from me and my family."

The lady at Hillcrest Nursing in Minnetonka near my house, Commissioner, tears in her eyes when I was there 2 weeks ago visiting another friend. She came up to me, and she said, "Congressman, please, we shut-ins, 162 days of the year we listen to the Twins, this is our summer, this is our fall, this is our spring. Please don't let them take the Twins."

My own dad, my 82-year-old father, he doesn't have much left to live for. My mother is in the last stages of Alzheimer's disease, a horrible situation. God bless him, he is staying home with Mom. He listens to all 162 Twins games to Herb Carnell's broadcasts on WCCL Radio every single game.

There are thousands and thousands of people in Minnesota like my dad, like that lady in the nursing home, like the vendors at the Metrodome whose livelihoods depend on baseball, not to mention the taxpayers of Minnesota and the $10 million a year.

This is part of our Minnesota fabric. Commissioner, I hope and pray that it can be worked out short of contraction.

Chairman SENSENBRENNER. The gentleman's time has expired.

The gentleman from Minnesota, Mr. Sabo.

Mr. SABO. Thank you, Mr. Chairman. And thank you to all of the witnesses. The questions will have to be short and the answers short, I hope.

Mr. Bell, do you expect the Minnesota Twins to be competitive in the Central Division next year?

Mr. BELL. Mr. Sabo, if we are able to keep our entire team together, yes, I would.

Mr. SABO. The Commissioner has said that a large amount of debt is part of the problem of baseball. Do the Minnesota Twins have a large portion of debt?

Mr. BELL. Mr. Chairman, Mr. Sabo, relatively speaking, we do have a large amount of debt relative to the value of the team.

Mr. SABO. If I look at the numbers, the debt is about $267 million per team in terms of debt and deferred compensation. What is the Twins'?

Mr. BELL. Mr. Chairman, Mr. Sabo, not anywhere near that.

Mr. SABO. Yours would be relatively minor in comparison to the average that we were told today?

Mr. BELL. It would be below the average, yes.

Mr. SABO. Mr. Commissioner, I have just a variety of emotions here. I am a baseball fan. I am a Twins fan, as thousands of others are. You are right that baseball is something a family can go to. Just dramatically different than other professional sports. For many of us, it is a sport. We follow the team with intensity.

But, it is also clear as we look at the unilateral decision to contract that that is very much a hard-nosed business decision unrelated to the fundamental problems of baseball. They are unrelated.

Mr. Bell, would your ownership invest a significant amount of money in a new stadium today in Minnesota without assurances that the financing of Major League Baseball had changed and changed substantially?

Mr. BELL. Mr. Sabo, our ownership has attempted many, many times to invest a significant amount of money in a new stadium.

Mr. SABO. Would you do that, absent assurance that the revenue system would change?

Mr. BELL. Mr. Sabo, until last year, we were willing to do that without assurances of a change. The system—the economic system is so bad at this point, last year the ownership said we are not likely to invest without economic reforms in the industry. Minnesota needs a new baseball facility. There is no question about that in order to improve its local revenues. But Minnesota also needs economic reform in the game.

Mr. SABO. Mr. Commissioner, I am absolutely—I am not sure what is going on with baseball. But contracting the Minnesota Twins or any other team today does not begin to deal with the fundamental problems that you face. It is a diversion. And, Mr. Commissioner, don't give me a lecture about stadiums. I expended lots of political capital in a different life a little over 20 years ago at the invitation of professional sports to build the current stadium.

And we had faced lots of the same opposition, and we have eventually got it done. It is not an old stadium. I understand some of the problems. You know, I don't know how—Mr. Commissioner, I am utterly convinced, that unless you reform—you are going to have team after team—just look at Arizona. New team. New stadium. World Series winner. Needing to borrow $167 million.

You are going to have team after team around the country where you made your case and people have responded, and those teams are going to be in desperate trouble. They are going to have both high debt and low attendance because they won't do what Minnesota did last year, all of a sudden, have a group of young players come to semi-maturity at the same time and be competitive.

The White Sox won the division the year before. Little bit off last year in a 10-year-old stadium. They had fewer fans than Minnesota. Detroit, brand new stadium, not a very good team. And they are way down, or—you know, they are a little higher than us. But what is that? A 2-year-old stadium? First year? Wait 5 years or 10 years unless they are competitive, and it goes on and on.

You have desperate troubles. You need to get a handle on it. I hope somehow that our State can find the wisdom in some fashion to get a stadium. I don't know how you make a case for it unless reform is in hand. I don't have that problem anymore, that is in others hands today; the governor and others have to deal with that.

Boy, you are ducking the problem. You are diverting. And you just need to deal with your financial problems.

Mr. SENSENBRENNER. The gentleman's time has expired. The gentleman from Minnesota, Mr. Gutknecht.

Mr. GUTKNECHT. Well, thank you, Mr. Chairman. I want to thank you and Mr. Conyers and the entire staff for having this hearing. I think it is long overdue, and I think a number of the issues that have been brought out today have really needed to be discussed by this Congress for a long time.

I agree with one of the things that Mr. Selig has said today, that is, baseball is sick. Now, I don't think contraction is the right remedy. I am going to talk about that in a minute. But, for the record I would like to read a few things that have been said already today, and a few things that need to be said into the record.

First of all, the Twins were the first team in the American League to draw 3 million fans in one season. And it was in the ballpark that they currently use.

Only the New York Yankees won more World Series in the last 15 years than the Minnesota Twins. President Bell, you said just a few weeks ago at a hearing in St. Paul that you expected that the Twins would show an operating profit for 2001.

The Twins have a good young team, and I think they are going to be very competitive next year. But, Mr. Selig, I think one of the things that concerns me is—and these are the numbers from the A. C. Nielson Company. The Minnesota St. Paul market, according to them, is the 13th best television market in North America. Milwaukee is 33rd. Don't you think you have a conflict of interest right now when you are trying to buy up the Minnesota Twins, in effect, try to expand the market for your team?

Mr. SELIG. No, I don't think that I have a conflict of interest. I know that has been written and said. The clubs voted overwhelmingly. The support for contraction is virtually unanimous.

Mr. GUTKNECHT. But, you have to admit, it was on your recommendation; was it not?

Mr. SELIG. No, it was not on my recommendation. I have said often no, on the contrary. This is one that came from ownership. And, in fact, one of the gentlemen is here today, Larry Luchino, who at that point was with San Diego, and Jerry McMorris with the Colorado Rockies.

And, quite frankly, there isn't a vote against contraction today. So the fact of the matter is, I am charged as the Commissioner of Baseball with the responsibility to try to solve our economic problems.

Mr. GUTKNECHT. But, Mr. Chairman, this is my time. I would like to get to another point. Now first of all, you said that not one owner voted against it. Now, it has been reported in the Minnesota papers that Mr. Pohlad voted against it. So that is at least one vote, or doesn't his vote count?

Mr. SELIG. There is not one owner against the principle of contraction.

Mr. GUTKNECHT. Let me come back to another point. And from your own report, and I want to read this into the record again. If the recommendations outlined in this report are implemented, there should be no immediate need for contraction. That is in your report. You know, and I have to come back to a basic point. You can't have it both ways. And what you are saying, you have repeatedly said, and I agree, that baseball is sick.

But the remedy of contraction is akin to bleeding a patient with a fever. Ultimately this is only going to make your problems worse. And I submit to you, and you should think about this, we are not just talking about antitrust statutes, ultimately you know, and every other owner knows, you enjoy enormous financial benefits relative to the Tax Code. This Congress is taking this very seriously, and at some point, if you go through with this contraction especially, if it is Minnesota this year, next year it is going to be somebody else, and we understand how that game works.

You can hold people hostage and you can get things from them that you might not otherwise get. That will only work so long. Pretty soon we are going to start to bite back. When we do, it is going to cost you and a lot of the major league owners more than you know.

So you can go ahead with this, but I will submit to you that there will be a very heavy price. I yield back the balance of my time.

Chairman SENSENBRENNER. The gentleman from Minnesota, Mr. Luther.

Mr. LUTHER. Thank you, Mr. Chairman. Thanks for allowing us to be a part of the hearing today. And I certainly want to thank all of the witnesses for their participation here today.

I will try to be very brief. My first question really to you, Mr. Selig, is how concerned are you about the revenues that are being generated for certain teams by exclusive cable relationships; cable contracts that certain teams have and the—the common ownership that certain teams have, even with cable franchises, that are benefitting certain teams and the impact that that unfair allocation of revenues therefore has on the health of Major League Baseball?

Mr. SELIG. Well, those are the so-called related party transactions that they were talking about before. And we have dealt with that now in our whole revenue sharing package. And quite frankly, there is no team who has a so-called national cable package or a specialty. They pay baseball, frankly a tax. And so we think that we have dealt with that problem.

So we can't change the demographics of a given area. If a team is on the east coast in a bigger market than a team in the middle west, that is a different story.

But, if you are talking about so-called related party transactions of teams who are on cable and have a specialty, we have dealt with that. That revenue is shared equally by 30 teams. It is very substantial.

Mr. LUTHER. One of the things I have asked for is to have hearings on that exact point. Because I think a lot of people are not aware of the kind of relationships that do exist between cable franchises and teams and the impact that that has. And I don't—do you believe the antitrust laws apply to those other arrangements that the baseball teams have with their cable—with cable franchises?

Mr. SELIG. I don't believe that there is anything untoward about those relationships. It really comes more to our revenue sharing and to the things that we are doing.

Mr. LUTHER. So at least you are not claiming that the antitrust laws—that there is some exemption that gives them special opportunities or privileges.

Mr. SELIG. And they do not have them.

Mr. LUTHER. The other question I wanted to ask you about is back in the early 1990's when the Giants were going to go to Tampa and that was—there was then a group that was the organized in San Francisco to keep the team. And this was your quote at the time. "f the people of San Francisco and that ownership group, all of whom are very prominent citizens, very respected businessmen have the faith and judgment that they believe that they can make it work, why should I tell them they are wrong?".

Would you take the same position with respect to a group of local businesspersons in the Twin Cities that wanted to purchase the team and keep the team in Minnesota?

Mr. SELIG. That has been my philosophy all along. I do believe that. That is why baseball has not moved a team in 30 years.

Mr. LUTHER. Thank you. And I yield back, Mr. Chairman.

Chairman SENSENBRENNER. The gentleman from Minnesota, Mr. Kennedy.

Mr. KENNEDY. Thank you, panel, for being here. And Commissioner Selig, when I heard your presentation, I thought it was a very convincing argument, when you talked about the wide disparity of revenues by teams. And when you think about it, it was a very convincing argument for needing more revenue sharing from what I saw. You see the wide disparities where you have your largest team having four to five times more revenue than the smallest team, how can we expect to have that smallest team be competitive?

And yet the conclusion was an odd twist for me, to want to contract. You know, given that we haven't seen what we need to do to have a viable economic baseball economy outside of the top major markets, why does baseball deserve to have this antitrust exemption?

Mr. SELIG. Because I think that—the issues that are unresolved are in the collective bargaining arrangement. They—the antitrust exemption that we have had, I think has promoted stability. I think it has gotten many, many years of it.

I know there have been hearings for the last 50 years. And I think people have properly come to the right conclusion. You are right about the system. You are right about the revenue sharing and the salary restraint, but that is unrelated—that is unrelated to what we are talking about relative to the antitrust exemption. That is in our arrangement that we are going to have to try to solve as we move forward.

To create more chaos in an industry already showing huge losses and having difficulties, especially with a complex arrangement that we have with the National Association people, I don't understand how more confusion and the threat of more litigation helps anybody.

Mr. KENNEDY. Well, I would just say I remember distinctly the fifth game of the 1991 series. I happened to be watching it down in Atlanta. And I had what was, at that time, my 7-year-old son with me. He is now 17. And he had the opportunity, a lady next to him wanted to trade him a Dean Palmer hankie, which you could get from the Star Tribune for 99 cents, for—not one of these cheap styrofoam tomahawks, but a real nice one with a real rock head and a real wood handle and the bird feathers and a nice leather wrapping; and it was really quite an ornate deal, clearly worth more than 99 cents. He could have gone back to the Star Tribune and got another one for 99 cents. But when this lady wanted to trade that nice tomahawk for a Dean Palmer hankie, he refused. He didn't want to have that. He was that committed to the Twins.

I really want to tell you, we have a public trust here as elected servants to do some things that aren't always—you know, what's economic and right for us, or even for our districts from time to time, but what is right for America. I think that given you have the special status of an antitrust exemption and you're supposedly not a business, this is a special trust that baseball has to do what's right for America's favorite pastime. And I just don't see that happening. And without that, the special trust being acted upon, I really don't understand why we would have this continue.

With that I'll yield back my time.

Chairman SENSENBRENNER. The gentlewoman from Minnesota, Ms. McCollum.

Ms. MCCOLLUM. Thank you, Mr. Chairman. I want to thank you for this opportunity to address the panelists and again I want to extend my sincere warm welcome to the Governor of my home State, Governor Ventura, to Mr. Bell from north St. Paul where I am from, and I'm happy that everybody was able to attend this important meeting today.

Chairman SENSENBRENNER. Would you pull the microphone a little bit closer because we're having problems hearing.

Ms. MCCOLLUM. We're here today to discuss baseball's development. And since 1922 it's changed from a recreational community pastime to, Commissioner Selig's words, "a major industry." and so when the antitrust exemption was first enveloped by the courts, it was with the spirit that it was a community interest. It was a local community interest. Now, professional baseball is like any other industry, is what I'm paraphrasing, but I'm pretty close to what I heard you say the morning I woke up and heard National Public Radio talk about contraction.

I noticed, however, in your remarks that you prepared for the Committee today that you did not use the word "industry." I also noticed that when engaged in conversation you do use the word "industry." Many times, close to 10 times you kept talking about how the system has to change. The blue ribbon panel said the system has to change, and I'd like for the system to change.

I remember the big thrill of getting on a bus as a school patrol person from south St. Paul and getting to go to the Metrodome that afternoon, skip school, and watch the Twins. Took my kids. I think that the Twins are part of our community. But when I hear the terms "industry," "business," and "antitrust" all together, there becomes a tension, there becomes a conflict. So I'm very confused by the fact that you've mentioned repeatedly, it's been pointed out repeatedly, that baseball has to change. But the change that we're going to experience is the last recommendation, is contraction. It doesn't change anything else.

The other thing I'm confused by is the fact that you could tell some Members here from other States that their teams were going to stay, but you can't tell that to any of us here from the Minnesota delegation. At a time when I served in the Minnesota House we did struggle with whether or not to build a stadium. In fact, my opponent vigorously used it against me that I did support professional sports. And I heard you over and over and over again say "new stadium," "need to change," contraction will bring instability.

I'll tell you what I've witnessed. I've witnessed the instability, as a State representative and now as a Member of Congress, of baseball when it comes to building new stadiums. I've witnessed the instability here of you being able to tell other teams that they're going to stay, and you can't give us a straight answer. And now I'm learning that somehow or another you can have these cable collaboratives with teams and you don't see it as a conflict of interest.

So I have one question for you based on Representative Luther's question. Do the cable revenues that are generated by those franchises that are connected to cables, do those cable revenues go directly to revenue sharing and benefit the Minnesota Twins?

Mr. SELIG. They do. They're split 30 equal ways. That is revenue sharing. That is one of the many changes made. Absolutely. Unequivocally, yes.

Ms. MCCOLLUM. Commissioner Selig, it's equally split? The Twins get the same share as the New York Yankees?

Mr. SELIG. All of our central fund revenue—and the cable revenue goes in there—is split equally, yes.

Ms. MCCOLLUM. That's interesting. Do you see that as a fix for baseball? Should we be doing that in other arenas with revenue sharing?

Mr. SELIG. Of course. Look, I've been through this a myriad of ways. Let me try one more time. The reason the blue ribbon report said about contraction if these things are implemented—they haven't been implemented because they're subject to collective bargaining. I want to say it again. We can't unilaterally implement them. Now, we've tried to as much——

Ms. MCCOLLUM. Mr. Selig, I'm going to claim my time back because it's valuable, and you have made that point repeatedly. But I keep hearing over and over and over again that it's collective bargaining's fault that you haven't moved forward, over and over again, and that's why you've gone with contraction. From what I've heard, it's the players' union's fault that baseball is losing money. It's the players' union's fault that you haven't been able to do anything about collective bargaining. It's the players' union's fault, then, that the Twins are going to be contracted?

Mr. SELIG. You asked why the recommendations weren't implemented. I merely told you those are subject to collective bargaining. We cannot unilaterally implement.

Chairman SENSENBRENNER. The gentlewoman's time has expired. Last but not least, the gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. And thank you for holding this hearing. I want to commend Mr. Sabo and Mr. Conyers and others for their leadership on this issue. I appreciate the Governor being with us today.

I have one question. I'm a—before I got into politics, a CPA; and we kind of tend to look at the bottom line. In this handout I got, it was 21 teams that lost more money than Minnesota and 8 that either lost less money or made some money. So apparently the economics of this whole situation are pretty mystifying to me, but apparently the net profit doesn't have a whole lot to do with what these teams are worth, I guess, or what teams should be around.

And then I was reading some other information about how the—you have some pretty unique tax breaks. I thought we had tightened up on some of these abusive tax shelters, but apparently we haven't gotten all of them tightened up. I never really have paid a lot of attention to the economics of baseball and how this all works until this came up. I thought I was, you know, one of the few people that represents an area where you lose money on all your production and the assets continue to go up in value, which is what's going on in agriculture. We lose money on every crop we produce but the land value continues to go up. And apparently baseball is the same thing. You lose money but the value of the assets go up. I mean, that looks to me like that's what's going on.

So my question is, how big of a factor in all of this screwed-up economics and financial situation are these tax breaks? Are people buying these teams so that they can write off, I guess, 50 percent of the salaries in the first year I think I read in some deal—and is this part of why, you know, in spite of the fact these teams are losing money, they sell them for more than they paid for them a few years later is that——

Mr. SELIG. No, it's—as a matter of fact when I first came into baseball, you could depreciate 100 percent. It tightened, by law, to 50 percent. Frankly, any other business you can depreciate 100 percent. I have never—so baseball not only doesn't have any break in that regard, it has less of a break than a normal industry. But what mystifies me, I've never—I've known every owner in baseball in the last 30, 35 years. I can very candidly tell you today, I've never known one who got it for some alleged tax break, because there isn't a tax break.

Mr. PETERSON. So you can only deduct 50 percent of your salaries, is that what you're telling me?

Mr. SELIG. Fifty percent of the franchise cost.

Mr. PETERSON. So that's goodwill. In a lot of other businesses, your goodwill is not deductible. There's been some changes made in that recently in the tax laws, but in the old days you couldn't write off any of your goodwill.

Mr. SELIG. Nowadays you can deduct 100 percent.

Mr. PETERSON. Not in all cases, I don't think. But in any event, you know, I don't know if Mr. Bell has any comments about this, as someone who's been in a specific organization, maybe hasn't had applicability in the Twins, but is that something that people consider when they're looking at buying something?

Mr. BELL. Mr. Peterson, it no longer does, because as I understand it, the deductibility only lasts for 5 years and Mr. Pohlad has owned the team since 1994 so all of that is long gone.

Mr. PETERSON. I don't quite understand exactly how this all works, but one thing I'm going to do——

Mr. FEHR. You haven't been here through much of the hearing, but as I've said repeatedly, the data needs analysis; the players would like to be released from the restrictions on them providing that analysis. So we could perhaps discuss with regard to some of the losses how much of that is depreciation, is it a real loss, et cetera, and so forth. At the moment we're not allowed to do that.

Mr. SELIG. However, that number is very clear. The operational loss is $235 million. There's interest expense and then we have the depreciation loss. So it's all spelled out very, very clearly.

Mr. PETERSON. Commissioner, I intend to look into this. Maybe one of the things we ought to consider is making some changes in these tax laws. That might help solve some the problems.

Chairman SENSENBRENNER. Does the gentlemen yield back?

Mr. PETERSON. I yield back.

Chairman SENSENBRENNER. This is extremely well timed because we have another vote on the floor. Without objection, the statement of Senator Wellstone, a letter from Robert Peck, President of the Greater Washington Board of Trade, and from Stan Brand, Vice President of Minor League Baseball, will be included in the record at this point.

[The information referred to follows:]

PREPARED STATEMENT OF THE HONORABLE PAUL D. WELLSTONE, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Mr. Chairman and Members of the Committee, I want to thank you for so promptly holding hearings on the "Fairness in Antitrust in National Sports (FANS) Act of 2001." As you know, along with Senators Dayton and Harkin, I introduced the companion measure to this bill in the Senate, S. 1704. I am hopeful we will hold hearings in the Senate when we return in January.

The goal of this legislation is to limit major league baseball's antitrust exemption as it relates to decisions to eliminate or relocate a major league baseball team. This is an important bill, made necessary by major league baseball owners' unfortunate decision last month to eliminate two teams. As you know, the Minnesota Twins are prominently mentioned as one of the two teams, along with the Montreal Expos, to be eliminated.

Mr. Chairman and Members of the Committee, I have said on other occasions that I think this so-called “contraction” decision by major league baseball is a betrayal by owners who have put their own profits before loyalty to fans and their communities.

Let me tell you a little about the team and the community placed at risk by the owners’ recent actions. The Minnesota Twins are a vibrant, vital team—a team that strikes incredible loyalty in the hearts of Minnesota fans—indeed of fans all over the Upper Midwest.

To be sure, Minnesota is a so-called “small market” team. But nonetheless it is a team that has thrived and is thriving now:

- Since 1961, the Minnesota Twins have played in 3 world series and won two
- Minnesota was the first American League team to draw 3 million in attendance over a season—that happened in 1988
- Last season we fielded a team that finished second in their division and drew 1.8 million fans

The 2001 season that just ended was a phenomenal one for the Twins. This past year we:

- Won 85 games, holding or sharing a portion of first place in the American League Central division from opening day until mid-August. Indeed, this upstart team could not be beat right up to the All Star Game.
- Finished in the top seven in the American League in all major team statistical categories [batting (4th), pitching (7th), and fielding (5th)]
- Showed the fifth largest increase in Major League Baseball in victories (69 in 2000 to 85 in 2001) while maintaining the league’s lowest payroll and Major League Baseball’s lowest average ticket price heading into the 2002 season
- Had 46 crowds of 20,000-plus in 2001 compared with 10 in 2000
- Had 15 crowds of 30,000-plus in 2001 compared with 5 in 2000
- Had increased attendance of 723,211 which ranked first in the American League and second only to the Milwaukee Brewers in Major League Baseball
- Finished the season with an average attendance of 22,287, the team’s highest average attendance figure since 1994
- Increased cable television ratings by 161%, the largest yearly gain of any major league baseball team—the highest in team history on its licensed regional sports network carrier
- Increased over-the-air television ratings by 105%—our highest over-the-air ratings since 1996

This is a team the owners want to eliminate? I think not.

Mr. Chairman and Members of the Committee, our country has tremendously urgent priorities. We have the war in Afghanistan, the war against terrorism, and our urgent need for economic stimulus legislation to keep our nation from plummeting even further into recession. The decent thing for the owners to have done would have been to postpone this decision at least for a year. Unfortunately, however, major league baseball owners did not give us a choice on timing. They picked a particularly inauspicious time to announce their unilateral, short-sighted and self-serving decision, so we must respond.

There is no choice frankly but to urge quick consideration of this legislation. We must act as soon as possible to hold major league baseball owners accountable for their decisions.

Last month Senator Dayton and I wrote to the President asking for his help. We noted that achieving Congressional action on this legislation will be exceedingly difficult in view of other urgent legislative issues facing Congress and the Administration. We urged him, therefore, to weigh in on this. With the help of the Administration, I truly believe we can push this measure forward and give the owners some pause about what they are doing.

Again, Mr. Chairman. Thank you for these prompt hearings. I look forward to working with you and the Committee on this important legislation.

Thank you.

The Greater Washington **Board of Trade**

A Regional Chamber of Commerce
for the District of Columbia, Northern Virginia and Suburban Maryland

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Robert A. Peck, President

December 5, 2001

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COMMITTEE OF THE JUDICIARY

The Honorable F. James Sensenbrenner
Chairman
Committee on the Judiciary
Room 2138, Rayburn Building
Washington, DC 20515

Dear Chairman Sensenbrenner:

When Major League Baseball Commissioner Bud Selig announced that baseball franchises had lost money this past season, he said the solution was to eliminate two teams because no alternative markets exist. He may be right about baseball's fiscal situation, but he is out in left field on the solution.

The greater Washington, DC, area is one of the strongest markets in the country and a strong baseball market to boot. Commissioner Selig need only look around him when he testifies before your subcommittee and he will find a region that:

- Is the country's fourth largest market in terms of gross regional product.
- Has more than 4.6 million people.
- Is the country's eighth largest television market.
- Is the largest region in the nation that does not have a major league baseball team. Successfully supports major league franchises in all other major sports.
- Has an existing stadium—RFK— which could on very short notice house a baseball franchise until a new state of the art ballpark is constructed somewhere in the region.
- Has local, well-financed ownership groups ready, willing and able to purchase any of the franchises that baseball seeks to fold or that owners seek to sell.

Honorable F. James Sensenbrenner
Page 2

Mr. Chairman, the Commissioner and his fellow owners have all seen independent studies that support these facts. The baseball owners are well aware that anyone seeking to purchase a franchise for our market is not even allowed to speak to a prospective franchise seller -- on pain of a $1 million fine that the Commissioner is authorized to impose. In essence, Major League Baseball is allowing a baseball owner more than 40 miles from the center of Washington, in a separate market, to operate the purest monopoly in America. We have a great relationship with Baltimore and are, together, working hard to become America's next Olympic hosts. And the two areas support separate National Football League teams.

Perhaps if the free market between buyers and sellers were allowed to work as it does in every other business in America, baseball would not be in the dire straits the Commissioner reports. Is it merely a coincidence that baseball, alone among the major leagues of sports franchises in being exempt from the antitrust laws, cannot get its economic house in order?

The Greater Washington metropolitan area deserves representation in Major League Baseball. Ironically, the special protection baseball gets by being exempt from U.S. antitrust laws deprives almost 5 million people here from enjoying baseball at its highest level. If Washington region investors were allowed to make the substantial investment they offer, baseball would thrive in the National Capital area.

On September 11, America's two most visible cities suffered a severe blow. Since that time, Americans have rallied in support of the people and regions that were hardest hit and Americans everywhere have rallied around with an outpouring of contributions and patriotism.

In that spirit, baseball took a time out and then substituted "God Bless America" for "Take Me Out to the Ballgame" in the 7th inning stretch. It doesn't seem to us to reflect the spirit of America for Major League Baseball now to propose contracting the national pastime behind a monopoly shield and to continue to shut out baseball in the Nation's Capital.

Sincerely,

Robert A. Peck

Robert A. Peck
President, The Greater Washington Board of Trade

Stan Brand
Vice President

December 4, 2001

HAND DELIVERED

Mr. James Sensenbrenner, Jr.
Chairman
Committee on the Judiciary
2138 Rayburn House Office Building
Washington, D.C. 20515-6216

Re: H.R. 3288

Dear Mr. Chairman:

I am writing to express Minor League Baseball's strenuous opposition to the provisions of H.R. 3288, a bill to amend the Clayton Act to make the antitrust laws applicable to the elimination or relocation of major league baseball franchises. A companion bill, S. 1704, has been introduced in the Senate by Senator Wellstone.

I understand that the bill may be part of the subject of a hearing before the Committee scheduled for December 6, 2001. While Minor League Baseball™ has not been invited to testify concerning the bill, its impact on the minor leagues could be devastating and so I ask that you make this letter part of the record of the hearing.

The bill was obviously drafted to parallel the language contained in the Curt Flood Act of 1998 with only language changes to reflect that this bill would lift baseball's antitrust immunity with respect to contraction and franchise relocation rather than major league player matters (the subject of the 1998 Act). However, the actual language of the current bill has deleted some language from the Curt Flood Act that is unrelated to contraction and franchise relocation. This puzzling deletion of language from the Curt Flood Act has the potential to be argued to a court as having some substantive significance, despite the limited stated purpose of the bill, and thus might lead to unintended consequences damaging to baseball and particularly Minor League Baseball.

The most glaring example of this failure to track the language in the Curt Flood

Mr. James Sensenbrenner, Jr.
December 4, 2001
Page 2

Act is in the express list of matters not affected by the bill in subsection 3(b). The Curt Flood Act had six items in its list of unaffected matters. To accomplish the lifting of the antitrust immunity only for Major League franchise contraction and relocation, the only change in wording in this list should be the removal from item #3 of the words "franchise . . . relocation." However, the H.R. 3288 bill omits far more language than just these two words.

First, the bill omits entirely all of what were items #1 and #5 in subsection 3(b) of the Curt Flood Act. Those two items stated:

> (1) any conduct, acts, practices, or agreements of persons engaging in, conducting or participating in the business of organized professional baseball relating to or affecting employment to play baseball at the minor league level, any organized professional baseball amateur or first-year player draft, or any reserve clause as applied to minor league players;
>
> * * *
>
> (5) the relationship between persons in the business of organized professional baseball and umpires or other individuals who are employed in the business of organized professional baseball by such persons;

In addition, the Curt Flood Act's item #3 in the list of unaffected matters (which in the proposed bill is now item #2) has been edited in the proposed bill by deleting the words "franchise expansion, location, and relocation," even though the stated purpose of the bill is to lift the immunity only as to <u>contraction and relocation</u> and only with respect to <u>major league franchises</u>. If the bill's stated purpose is accurate, issues of major league expansion or location that do not involve relocation, and all franchise issues at the minor league level, should still be covered by the immunity and thus specifically referred to in item #3 (now #2).

These deletions in the proposed bill are very troubling and hold enormous potential mischief for Minor League Baseball. This is particularly so for the deletion of item #1 specifically identifying employment matters at the minor league level, the amateur or first-year player draft, or any reserve clause as applied to minor league players. Also, taking out the item referring to umpires has potential implications for the minor leagues. And perhaps most troubling, the deletion in item #3 (#2 in the proposed bill) of the reference to all franchise expansion, location, or relocation matters removes from the bill the express protection for the minor leagues with respect to these types of franchising issues, putting at potential risk all of the minor league rules dealing with territories and territorial rights that protect the viability of all minor league teams, particularly at the lower classification levels in many smaller and rural markets across the country.

Mr. James Sensenbrenner, Jr.
December 4, 2001
Page 3

Furthermore, in subsection d(1) of the Curt Flood Act, it states in the second sentence: "As used in this section, the National Association of Professional Baseball Leagues, its member leagues and the clubs of those leagues, are not 'in the business of organized professional major league baseball'." This language has been deleted from the proposed bill. Again, the reason for the deletion is not at all clear, but its absence – when compared with the Curt Flood Act -- is striking and might well be interpreted by a court some day as a deliberate statement of congressional purpose that could subject the minor leagues to significant antitrust risk.

The potential for using the absence of all of the language contained in the Curt Flood Act to imply that the antitrust immunity no longer applies to minor league player, umpire, or franchise issues is not insubstantial, and it would certainly encourage potential plaintiffs to file lawsuits that might test this question, cause the minor leagues crippling expense, and possibly produce holdings that would be very damaging to Minor League Baseball. It is particularly troubling that this language was omitted given the long and arduous efforts we made to have it included in the final version of the Curt Flood Act.

Beyond the impact of deleting these paragraphs from the Curt Flood Act, there are two more indirect ways in which it might have serious long term detrimental effects, especially to the extent the bill lifts the immunity for major league franchise relocation instead of just contraction.

First, the bill apparently would subject Major League Baseball to potential treble damage antitrust liability for any action relating to franchise relocation. As we have seen in other sports, particularly football, this has caused such an *in terrorem* effect on leagues that individual franchises are now essentially free to relocate without any league oversight. In other sports, this has created the phenomenon of teams essentially putting themselves up for auction to the highest bidding community and forced taxpayers in many communities to provide hundreds of millions of dollars in direct and indirect subsidies to teams in order to attract or avoid losing a team. It is puzzling why, in response to Major League Baseball's announced efforts to contract by two teams, Congress would want to pass legislation lifting the antitrust immunity for both contraction <u>and</u> relocation. The historic baseball antitrust immunity has had an obvious restraining effect on relocations at the major league level and has served the public interest well by reducing the ability of teams to force huge public subsidies out of local communities. Denying immunity for relocation decisions could create disruption in certain AAA minor league markets as well by subjecting those cities to uncertainties for the future of their AAA clubs, and bidding wars to attract major league clubs. Lifting the immunity with respect to contraction is one thing; lifting it with respect to relocation is entirely another that is not at all justified or even suggested by the current efforts of Major League Baseball to eliminate two teams.

Mr. James Sensenbrenner, Jr.
December 4, 2001
Page 4

Also, in the broadest sense, the erosion of the baseball immunity for yet another aspect of the business of major league baseball creates a troubling precedent. It accelerates what we believe is an unjustified momentum begun with the Curt Flood Act of permanently lifting various aspects of the antitrust immunity on a piecemeal basis whenever a specific troubling event occurs (in this case, the contraction of two major league franchises). Rather than deal directly with the troubling event, the bill, like the Curt Flood Act, erodes a long-standing legal principle that has generally served the public well. This in turn makes it politically easier to lift the immunity even further when the next problem arises, a trend which will eventually undoubtedly have adverse effects on Minor League Baseball, which has been the primary beneficiary of the historic antitrust immunity. Once again, just as in 1998, "throw the baby out with the bathwater" proponents of legislation like H.R. 3288 could disrupt -- even destroy -- minor league baseball in an effort to bludgeon our sport on an issue of some complexity. And like the efforts in 1998, the legislation could hasten the demise of grassroots baseball in small and rural markets without any assurance that it will achieve its desired result.

Sincerely,

Stan Brand

Stanley M. Brand, Vice-President
Minor League Baseball™

SMB:mob

cc: The Honorable John Conyers, Jr.
Ranking Minority Member

Chairman SENSENBRENNER. The gentleman from Michigan, you have something you want included?

Mr. CONYERS. I do, Mr. Chairman. The note, the letter from Senator Wellstone in the other body, indicating that the Senate Judiciary Committee would be pursuing their own hearings on this same subject.

Chairman SENSENBRENNER. Without objection, that is also included.

Ms. JACKSON LEE. Mr. Chairman, if you want to have questions in writing, how then do you submit them in terms of——

Chairman SENSENBRENNER. Without objection, Members may submit questions in writing to the witnesses; and their responses, which we hope will be reasonably prompt, will be included in the hearing record.

Ms. JACKSON LEE. I thank you very much, Mr. Chairman.

Chairman SENSENBRENNER. So ordered.

This concludes the hearing. Let me express my appreciation to all four of the witnesses for their testimony. I think this is probably the most comprehensive exposition of various views on the financing problems in the future of baseball that has ever been held. I would like to thank my colleagues on the Committee for an excellent series of questions to all four of the witnesses. I know that this has been a marathon session. I also know that this is hardly the last word that will be spoken on this subject here on the other side of the Capitol, and elsewhere around the country.

So, again, my thanks and that of the Members of the Committee. We really do appreciate your testimony and your answers to all of the questions that have been asked. And there being no further business to come before the Committee, the Committee stands adjourned.

[Whereupon, at 5:20 p.m., the Committee was adjourned.]

APPENDIX

Statements Submitted for the Hearing Record

Prepared Statement of the Honorable John Conyers, Jr., a Representative in Congress From the State of Michigan

I want to thank Chairman Sensenbrenner for holding this very timely hearing on my legislation. The Committee is very busy, but I am glad we have been able to find the time to focus on this matter of economic justice.

I am here today to gently suggest, Mr. Selig, that baseball's antitrust exemption should be repealed. It may not happen this year or even this Congress, but one way or another, baseball's antitrust exemption—an historical anomaly which cannot be justified on any economic or legal grounds—will be eliminated. You may recall that Mr. Synar had a bill to repeal the entire exemption in 1994, and we have not forgotten that.

The blame for this repeal will not lie with the players, the fans, or the Congress. It will lie with Major League Baseball, which by its actions has tarnished our great national pastime and in effect, lost the right to its own exemption.

Baseball lost the right to its exemption when they treated Curt Flood like a piece of property, leading to a long and unnecessary legal fight and the ruin of a good man's career.

Baseball lost the right to its exemption when the owners colluded among themselves to reduce free agent salaries and were forced to pay a record 280 million dollars in damages.

Baseball lost the right to its exemption with their unacceptable record of minority hiring—no minority owners, and only a single minority general manager.

Baseball lost the right to its exemption when they unceremoniously dumped Faye Vincent as Commissioner, when he tried in vain to put the public interest ahead of the owners' private interest.

Baseball lost the right to its exemption by tolerating eight work stoppages in the last 30 years, more than every other professional sport combined, including, in 1994, the longest work stoppage in professional sports history.

And baseball lost the right to its exemption with its shoddy treatment of the Minnesota Twins and its fans. The Twins have done everything they could to place a competitive team on the field and live within their means in a small market. Yet less than two days after one of the greatest World Series in history, baseball issued a non-appealable death sentence to the city of Minneapolis and a slap in the face to their loyal fans.

Please don't tell me that repealing the exemption will do more harm than good by leading to more relocation. I might believe that if baseball hadn't permitted eleven relocations in modern times—including one by Mr. Selig—or if the case law wasn't clear that under the antitrust laws a sports league can impose reasonable restrictions on franchise movements. But those relocations have occurred, and the law on franchise movement is clear, so with all due respect, I can't buy into this bit of propaganda.

There is only one industry in the entire nation that is exempt from the antitrust laws without being subject to an alternative regulatory authority—Major League Baseball. It is time to end this injustice, and we can begin the process with today's hearing.

PREPARED STATEMENT OF THE HONORABLE ROBERT WEXLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Baseball is important to America, but it is especially important to Florida. As you know, twenty major league teams, known as the "Grapefruit League," have spring training in Florida. From the Los Angeles Dodgers to the Boston Red Sox to the Texas Rangers, some of the best ballplayers in the world come to Florida to get ready for the new season. And when ball players take to the field, fans flock to the stadiums. Aside from the wonderful beaches and attractions of Florida, many tourists are drawn to the Sunshine State to watch their heroes as well as new talent play a game of baseball. This is a source of pride for Floridians, but it is also a source of income. The Grapefruit League creates approximately 5,600 full-time jobs and pumps $490 million into the state.

Since the terrorist attacks of September 11th, Florida, especially South Florida, has suffered greatly in economic terms. The decline in tourism as a result of the recession and the lack of confidence in air travel have caused many tourists to forgo a Florida vacation—and that has meant layoffs for many Floridians who work in the tourism industry. In no way can Florida afford to lose additional sources of revenue.

I am sure that we have all read the sports pages, and know that if contraction in Major League Baseball should occur, one of the teams that is highly rumored to be eliminated would be the Montreal Expos. The Expos have spring training in my home of Palm Beach County. Roger Dean Stadium in Jupiter, Florida, is home to both the Expos and the St. Louis Cardinals. During spring training, baseball fans have a double schedule of games to watch. If the Expos were to cease to exist, that would mean an approximate $24.5 million loss to our economy. To my constituents, it is not only a matter of potentially losing a source of entertainment, but more importantly, losing their jobs. So when put into practical terms for me and the Floridians I represent, I must ask myself if decisions affecting so many people should be made by so few people with such little oversight? Should an industry which is supported by taxpayer funds through publicly-subsidized stadiums be able to unilaterally terminate the need for those stadiums without any recourse for the public?

That leads me to my main concern—the future of South Florida's own baseball team, the Florida Marlins. While we hear that maybe the Expos and the Minnesota Twins are the likely victims of a first contraction, the Marlins are rumored to be next in line. It seems as though South Floridians were just celebrating a World Series win, and now we do not know if this next season will be their last in South Florida. I would like assurances today from Commissioner Bud Selig and Major League Baseball that the Marlins will not only stay in South Florida for this next season, but for many seasons thereafter.

I look forward to studying the testimony of the witnesses pertaining to the proposed FANS Act, and I am hopeful that baseball will always flourish in America, and especially in Florida.

Statement of Congressman Earl Pomeroy
H.R. 3288 - Fairness in Antitrust in National Sports (FANS) Act
House Judiciary Committee
December 6, 2001

Mr. Chairman, Ranking Members Conyers, and members of the Committee, I appreciate the opportunity to address an issue that is important to many in my state - - the possible elimination of the Minnesota Twins.

Since 1960, North Dakotans and Minnesotans alike have experienced pride in one of the most successful franchises in baseball. With two World Series titles and three American League championships to its credit, the Twins have created a strong baseball tradition in the Midwest. I grew up with the Minnesota Twins - they are not only Minnesota's team, they are our team as well.

The Minnesota Twins is more than just a baseball team, it is a way of life. Twins baseball is what farmers listen to when planting the crop; its what kids talk about during their sandlot games. As I travel across North Dakota in the spring and summer, those journeys are enhanced when I am able to listen to the Twins' games on the radio. However, this strong tradition has been threatened by Major League Baseball and its owners.

Only two days after the conclusion of the World Series, Major League Baseball voted to eliminate two teams, and there is the potential on the horizon for at least two more eliminations.
Today, baseball is the **only** major sport, and really, the only business in the United States, that has an exemption from the antitrust laws. As a result, baseball's special treatment has provided a few club owners with the power to decide the winners and losers. It is clear to see that the owners are working only in their self interest, with an eye only on their bottom line. All of this comes at the expense of fans, players, vendors and our communities.

No other professional sports team is provided with this luxury, and I see no logical reason why Major League Baseball should continue to be shielded from the reach of the antitrust laws. Baseball needs to operate on the same level playing field as all other professional sports and businesses. The time has come for this special treatment to end, and for the light to shine on the process by which owners decide who survives. Congress must move to ensure that the decision's of Major League Baseball are subject to the antitrust laws. The FANS Act will ensure that, when decisions are made to eliminate or relocate teams, the process does not occur behind closed doors, but is open and exposed.

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HOUSE OF REPRESENTATIVES

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COMMITTEE ON RESOURCES

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Statement for the Record

House Judiciary Committee hearing on the
Fairness in Antitrust in National Sports (FANS) Act of 2001

December 6, 2001

The Minnesota Twins and Major League Baseball have a long tradition in Minnesota. From their first days in Minnesota in the 60's, to the two World Series Championships they brought to our state in 1987 and 1991, I have been proud to share in their accomplishments with all the people of Minnesota and the Midwest.

Major League Baseball in Minnesota is more than just a game for my constituents and me. It is an integral part of the community, and it makes up a key part of the character of Minnesota families and friends. It is cultural component of the community. From the early days of Spring, as the snow melts and families return to the great outdoors, to the dog days of summer and the crisp autumn nights, professional baseball has played a key role in our neighborhoods

Major League Baseball, however, has developed into much more than this. Rather than simply being our national pastime, it has developed into a mega-industry, filled with rising salaries, back-room deals and the bottom line. The end result is skyrocketing salaries, ticket prices and concessions. Where once a family was able to choose between going to a movie or a baseball game for the same price, today, for some families, a Major League Baseball game is not even a consideration. The bleacher seats have been replaced by the skyboxes, and *Take me Out to the Ballgame* has been replaced by "take more money out of my pocket". As a result, community involvement has been reduced to nearly zero.

And that is why we are here today: to discuss Major League Baseball's development from a recreation and a community entity to a major industry, and specifically their antitrust exemption. It has been said many times that Major League Baseball is like any other industry. Yet, its antitrust exemption remains. Is this fair? Does professional basketball enjoy this exemption? No. Does professional football? No. Professional hockey? No. They why should we treat professional baseball any differently?

As I previously stated, the Minnesota Twins are an integral part our community. They are also an integral part of my family. I look back fondly on the days as a child when I would join my school patrol group at the old Met Stadium; or when I would take my kids to the game on the special "Knothole Days" at the Metrodome. In fact, I remember listening to the Twins over the radio with my grandfather and his friends all the way out in Montana. While the organization has invested heavily in the community itself, the neighborhoods and communities of the Twin Cities have likewise invested a significant amount of time and money in the organization. Unfortunately, with the economic disparities of baseball and contraction hanging over our heads, this relationship has been profoundly shaken.

Today, 30 millionaire and billionaire baseball team owners believe the Minnesota Twins no longer need to exist. They are using Major League Baseball's anti-trust exemption to rip our community apart by "contracting" this valuable community asset.

It is time to hold Major League Baseball accountable for its financial situation in light of the special treatment they receive. I believe it is time for Congress to immediately take action to eliminate Major League Baseball's anti-trust exemption.

Testimony of

THE HONORABLE MARTIN OLAV SABO

Before the House Judiciary Committee
December 6, 2001

on

H.R. 3288, the "Fairness in Antitrust in National Sports (FANS) Act of 2001"

Chairman Sensenbrenner and Mr. Conyers, thank you for holding this hearing on H.R. 3288, legislation to limit Major League Baseball's antitrust exemption. I appreciate that you have called it and given me the opportunity to participate.

Today, I sit here not only as the House Member who represents the Twins' hometown – Minneapolis -- but also as a life-long baseball fan. Every year, I don my Minnesota Twins jersey for the Congressional charity baseball game. I wear it with pride. Pride for the Twins. Pride for Minnesota, and for fans in the surrounding states who call the Twins <u>their</u> team. The Twins are not just a Minnesota baseball team. They belong to the Upper Midwest.

Growing up in western North Dakota, I spent many afternoons and evenings listening to Major League Baseball on the radio. Those are fond memories. Later, as a young man living in Minneapolis, I was thrilled to learn that the Minnesota Twins would become my hometown team. Ever since, my passion for the Twins and baseball has been year-round. I scan the Twins' farm team Internet websites to watch the young player prospects, eagerly await spring training and buy my tickets for games from the home opener to the playoffs and World Series whenever I can.

I am not alone. There are hundreds of thousands of fans like me across Minnesota, North Dakota, South Dakota and Iowa who attend Twins games, sometimes driving hundreds of miles to Minneapolis. They also tune in to Twins radio and TV broadcasts from the Minnesota Iron Range to South Dakota's Corn Palace and from the Iowa capital of Des Moines to the North Dakota prairies. We may live in different states, but we are Twins fans. We are proud of our team and its rich history – especially our Hall of Fame heroes and the 1987 and 1991 World Series Championships.

Many of us in this room and across the country have worried about the economics of Major League Baseball for some time. There is no doubt that baseball is a big business industry in need of some serious structural changes in order to restore its economic health and balance.

Commissioner Selig and MLB owners now argue that league contraction will solve the league's economic woes. However, I am hard-pressed to understand how the elimination of the Minnesota Twins, who won 85 games and drew nearly 1.8 million fans this year, will fix baseball's fundamental problems.

In fact, to support my position, I would cite last year's report of Commissioner Selig's Blue Ribbon Panel on Baseball Economics, which concluded that the elimination of teams should be the last resort to address the league's money problems, not the first. A more comprehensive revenue sharing plan, an enhanced competitive balance tax and minimum club payroll, draft reforms and other remedies were at the top of that expert panel's recommendations. Why aren't the MLB owners seriously considering those options before league contraction?

In defending the MLB owners' plan to eliminate baseball teams, Commissioner Selig likes to make the point that 25 of the 30 teams lost money last year. By logical extension, could he mean to suggest that Major League Baseball will only become economically viable when it contracts to only a handful of teams?

There is no doubt that serious financial disparities exist in Major League Baseball. The New York Yankees and the Boston Red Sox each spent over $100 million on 2001 salaries. By contrast, the Minnesota Twins had the lowest payroll -- $25 million. Yet, the Twins had the 2nd best MLB win record for a time this season and competed into August for the AL Central Division title and a wild card slot.

In so many ways, the Twins represent what is right about baseball. They have won two World Series in the last 14 years and were the first AL team to draw three million fans in a season. Eliminating the Twins won't solve the league's money problems and would strike a terrible blow to the game.

For generations, we have taught our children to play the game of baseball <u>and</u> honor the rules of fair play and sportsmanship. That 30 team owners could vote to eliminate the gritty, hard-working Twins -- while acting outside the rules of business competition – sullies that tradition.

Since the Major League Baseball owners won't take responsible measures to heal the economic problems of baseball, I see no alternative but for Congress to step in -- to level the playing field -- and pass long overdue legislation to limit the league's antitrust exemption.

Perhaps in 1922 when the U.S. Supreme Court granted the league antitrust protection, baseball was just a "sport." Today, however, it is laughable to suggest that Major League Baseball is anything less than big business. It is a $2.8 billion per year industry anchored in over 20 of our largest American cities, with dozens of farm clubs in smaller towns and tens of millions of customers – the fans.

For the sake of fairness, for the fans and even for the long-term viability of Major League Baseball, I urge this committee to approve H.R. 3288 quickly and bring it to the House floor for a vote before we adjourn this year.

MATERIALS SUBMITTED FOR THE HEARING RECORD

Office of the Commissioner
MAJOR LEAGUE BASEBALL

Responses to Questions from Members of the U.S. House of Representatives Committee on the Judiciary

Allan H. Selig
Commissioner Of Baseball

January 22, 2002

c/o Baker & Hostetler, 1050 Connecticut Avenue, NW. 11th Floor, Washington D.C. 20036 (202) 861-1500

QUESTIONS FROM THE HONORABLE BILL LUTHER AND THE HONORABLE BETTY MCCOLLUM:

1) Would you please comment on the nature of the long-term contracts individual baseball franchises sign with local broadcast distributors, i.e., broadcast television or radio networks and/or cable systems? In particular, we are interested to know:

a) These contracts entail giving a local broadcast distributor an exclusive right to broadcast the franchise's baseball games in a given market. What do you believe are the local, anti-competitive effects of these long-term, exclusive contracts?

Answer:

The contracts referred to are negotiated arms-length in the marketplace and, in fact, are pro-competitive. With rare exceptions, an over-the-air broadcast station will not purchase a package of games unless that package is exclusive as against other over-the-air broadcast stations, and a regional cable network will not purchase a package of games unless that package is exclusive as against other cable networks. Thus, most games would not be telecast but for the grant of exclusive broadcast or cable rights, respectively.

b) Furthermore, given that these local broadcast distributors are often monopolistic cable systems, are you concerned that these exclusive broadcasting contracts unfairly shut out fans who do not subscribe (or do not have access) to cable services?

Answer:

It is important to understand that there is limited availability on over-the-air broadcast television for our Clubs' telecasts. Because of (i) the affiliation of previously independent over-the-air stations with relatively new over-the-air broadcast networks such as Fox, UPN and WB, (ii) the increased amount of primetime programming on those networks and (iii) the pressure from (or contractual commitments with) those networks not to preempt that programming, there is less availability on and less demand by broadcast stations for baseball telecasts. Many games that appear on cable would not otherwise be telecast at all.

c) Do you believe that by allowing a local cable system to exclusively broadcast a team's baseball games, the league or franchise is placing a undue, perhaps anti-competitive pressure on consumers to subscribe to that cable system?

Answer:

See answers to (a) and (b), above. Please note, also, that questions 1) (a), (b) and (c) seem to reflect a fundamental misunderstanding of the telecast distribution business. Neither Major League Baseball nor any individual club has an agreement, exclusive or otherwise, with any cable system. To the extent cable systems have exclusive distribution rights, those exclusive rights derive from local franchising agreements with local franchising authorities. This is a situation that Congress has attempted to address variously through legislation regulating the cable industry and also legislation strengthening the direct broadcast satellite industry, the recent growth of which belies the notion of cable exclusivity over telecast distribution. In any event, baseball's rights agreements exist on an entirely different level.

d) Do you believe that such contracts should be limited to a one-year duration in order to allow frequent competition in the bidding for these broadcast rights?

Answer:

As stated above, the contracts, including their terms, are negotiated arms-length in the marketplace. Many rightsholders, if not virtually all of them, insist on multi-year contracts to receive the benefit of their investment in production equipment, staff and/or on-air talent and to have the opportunity to "build the asset" through promotion and identification with baseball over time. A limitation on term may, again, mean that the games are not telecast at all. It is difficult indeed to think of any other example in all of American business where the government limits the term of a contract.

e) In your response to Congresswoman Betty McCollum's question regarding broadcast revenue sharing, you stated that Major League Baseball "absolutely and unequivocally" splits or shares central fund revenue from national broadcasting contracts in 30 equal ways. In other words, the generated broadcasting revenues benefit the Twins and the Yankees, for instance, in equal ways. However, do baseball franchises also share revenue from their individual, local broadcasting contracts? If not, do you believe a revenue sharing system ought to be implemented with regard to these broadcasting contracts?

Answer:

The answer to this question was covered in Commissioner Selig's testimony to Congress, has been widely disseminated by Baseball in recent years and frequently appears in the press. Baseball has a revenue sharing system for between 20% and 25% of all Clubs' local revenue, including local broadcast revenue. This year, approximately $167 million of just local revenue will change hands under Baseball's revenue sharing system. This is in addition to all the national revenue (over $700 million in 2001) that is shared equally. Baseball believes strongly that more local revenue should be shared, but that must be agreed to by the players union. The union has so far resisted any significant increase in revenue sharing.

f) According to League records, in 2001 the New York Yankees received over $56.8 million in local television, radio and cable revenue; while the Minnesota Twins took in roughly $7.3 million in broadcasting revenue. Can you please comment on how the disparity in the value of these broadcasting contracts contributes to the disparity in overall wealth and profitability between baseball franchises?

Answer:

A vast disparity in local media revenue (before revenue sharing) obviously contributes to a vast disparity in profitability between franchises. It also contributes to the enormous competitive balance problem that Baseball currently has. This was covered extensively in Commissioner Selig's written and oral testimony to Congress on December 6, 2001.

2) Would you please comment on the potential anti-competitive attributes of a business arrangement whereby a broadcast distributor and a baseball franchise share the same owner? In particular:

a) For instance, the Tribune Company, which owns Chicago's WGN Superstation, also owns the Chicago Cubs; and WGN broadcasts Chicago Cub games. Other baseball teams, such as the Los Angeles Dodgers and the Atlanta Braves, are similarly owned by business entities that ultimately and concomitantly broadcast their games. Can you comment on the possible anti-competitive effects of such a dual ownership structure in a given market?

Answer:

It is difficult to see any anti-competitive effects resulting from these arrangements. In fact, some of these teams have broadcast rights agreements with competitors of their parent companies. To the extent there are any exclusive broadcast arrangements, those arrangements are pro-competitive as explained in the answer to question 1.

b) How does this dual ownership structure affect the financial health of a baseball franchise? Moreover, how does dual ownership affect the financial incentives of a baseball franchise? In some cases, does the owner of a baseball franchise regard the franchise to be a loss-leader that furthers the owner's broadcasting interests?

Answer:

Baseball's experience is that corporate owners, whether they are media companies or not, are generally responsible owners. They place great importance on all of their divisions being fiscally responsible and, if possible, profitable. They are at least as concerned about baseball's severe economic problems as are any other owners.

c) If you have not done so already, would you please provide us and the Judiciary Committee with a complete list of those baseball franchises that constitute a financial interest for parties that also have a financial interest in a broadcast distributor? Please further provide the extent of those financial interests.

Answer:

The following clubs are controlled by an owner that also has a significant financial interest in the broadcast industry:

Atlanta Braves—the Braves are 100% owned by Turner Broadcasting System, Inc., which in turn is owned 100% by AOL Time Warner, Inc.

Chicago Cubs—The Cubs are 100% owned by the Tribune Company.

Los Angeles Dodgers—Fox Entertainment Group indirectly owns 95% of the Dodgers.

Anaheim Angels—The Walt Disney Company indirectly owns 100% of the Angels.

Toronto Blue Jays—Rogers Communications, Inc. indirectly owns 80% of the Blue Jays.

Texas Rangers—Tom Hicks indirectly owns approximately 66% of the Texas Rangers. Mr. Hicks and/or entities controlled by him have significant financial interests in the broadcasting industry.

3) In 1992, as Chairman of Baseball's Executive Committee, Mr. Selig said, "I was deeply offended and personally affected by what I consider to be a flagrant breach of that special covenant that Baseball has with its fans when the Braves were allowed to move from Milwaukee to Atlanta in 1966. This is the type of breach of the public trust that Baseball might not be able to prevent if those upset with the decision to save baseball in San Francisco succeeded in stripping baseball of its 70-year antitrust exemption." How would you describe the current public trust and special covenant that Baseball has with its fans and communities today?

Answer:

Baseball continues to hold a special place in the hearts of the American public and is part of the fiber of local communities and the country as a whole. Indeed, baseball's popularity continues to grow.

4) As we understand the tax code, sports franchises are allowed to amortize 50% of its assets as player contracts over a five-year period for tax purposes. This 50% represents a rebuttable, presumptive ceiling in the tax code, and sports franchises can amortize a greater percentage of its assets if the IRS consents. Can you comment on this tax provision? Do you believe that sports franchises often amortize more than 50% of its assets as intangibles? If you have not done so already, will you provide us and the Judiciary Committee with tax information for each baseball franchise?

Answer:

Under Section 197, which was added to the Internal Revenue Code in 1993, non-sport businesses are allowed to deduct 100% of an acquisition purchase price over a 15-year period (except for certain assets with amortization periods longer than 15 years).

The 1993 change in the IRC did not amend the purchase price allocation and amortization methods for sports franchises.

Generally, the amount allocated to acquired player contracts must be based on a fair market value analysis of the contracts, at the time of acquisition, which facts and circumstances vary for each franchise. However, the value allocated to player contracts, if substantiated, is generally limited to 50 percent of the purchase price. The period of time over which the value of player contracts is deductible also varies based on the terms of the player contracts.

Unlike non-sport businesses, sports franchises cannot deduct franchise goodwill and other similar intangible assets. As a result, the overall deductible percentage for sports franchises is substantially less than the 100 percent deduction that IRC Section 197 now allows other businesses.

Individual club tax information is not publicly available.

QUESTION FROM THE HONORABLE MARTIN OLAV SABO:

1) Mr. Selig: Does the Minnesota Twins' relatively low amount of debt and limited long-term financial commitments in comparison to other teams, make them a target for elimination?

Answer:

A low amount of debt and limited long-term financial commitments do not make a team a target for elimination. The principal criterion related to contraction is a team's inability to generate sufficient local revenues to support long-term financial stability and competitiveness on the field.

QUESTIONS FROM THE HONORABLE SHEILA JACKSON LEE:

1) How would eliminating the exemption impact the survival of the league?

Answer:

The answer to this question is covered in the written and oral testimony given by Commissioner Selig on December 6, 2001. Removing Baseball's antitrust exemption would negatively impact baseball in a number of ways. It would increase the likelihood of teams moving from city to city without consent, making Baseball's unblemished record of franchise stability over the last thirty years vulnerable. A number of aspects of Baseball's extensive minor league system, which places approximately 160 teams in small and medium size markets around the country, would be exposed to attack under the antitrust laws, thereby increasing the likelihood of a different type of player development system with fewer players and fewer teams. Additionally, many other areas would be subject to attack absent the exemption, such as regulation of certain ownership matters, the Commissioner's disciplinary authority over Clubs, equipment standards and others. Baseball would almost certainly have to defend a large number of antitrust lawsuits after being allowed for 80 years to develop with its exemption in place. With the specter of treble damages in every case, no one could predict with any degree of certainty what baseball would be like after that onslaught of litigation.

2) How would lowering the top salaries impact the survival of the league?

Answer:

The key to the survival of Major League Baseball is enhanced competitive balance. Limitations on the amounts earned by top players would enhance competitive balance by giving more Clubs (particularly lower revenue Clubs) a genuine opportunity to sign the best players. The presence of better players on low revenue Clubs would increase their ability to compete on the field which, in turn, makes it possible to increase revenues in markets that are currently the weakest.

QUESTIONS FROM THE HONORABLE JOHN CONYERS, JR.:

1) According to the chart, "Industry Debt 1995–2001," baseball's debt rose by $2.2 billion.

a) How much of this debt financed new stadiums or stadium improvements?

Answer:

For the ten-year period 1991 to 2001, the clubs incurred approximately $1.4 billion in indebtedness to assist in financing new facilities or to renovate existing facilities. From the date these debts were originally incurred, certain principal has been paid down and certain of these loans have been consolidated or refinanced with other non-stadium debt. As a result, the portion of the 2001 industry indebtedness of $3.1 billion which is specifically attributable to unpaid new ballpark or renovation debt cannot be segregated.

b) How much of it financed the acquisition of franchises?

Answer:

For the ten-year period 1991 to 2001, approximately $352 million of acquisition related debt has been incurred at the club level. From the dates these debts were originally incurred, certain principal has been paid down and certain of these loans have been consolidated or refinanced with other non-acquisition debt. As a result, the portion of the 2001 industry indebtedness of $3.1 billion which is specifically attributable to acquisition debt cannot be segregated.

2) Please provide the Committee with a club-by-club breakdown identifying the extent to which owners and family members receive salaries, consulting fees or other disbursements over the most recent five year period.

Answer:

Major League Baseball has not been provided the above information by the Major League Clubs.

On December 6, I testified before the House Judiciary Committee and brought with me more than 100 pages of detailed financial information from our industry, including individual club financial results. The amount of financial data provided by Major League Baseball to the Committee is unprecedented. We believe we have provided sufficient financial data to enable the Committee to accurately determine the financial state of Baseball.

3) Please provide the Committee with a club-by-club breakdown of related-party transactions entered into by each club and the value of each transaction over the most recent five year period.

Answer:

Major League Baseball does not have complete club-by-club related-party transaction data but has data only for those transactions that are deemed material to revenue sharing calculations. We have not disclosed that data to others for the following reasons: 1) such data could not be fully understood without a comprehensive understanding of the business of the other related party, which itself involves in many cases obtaining and analyzing confidential information, and 2) any such analysis would require subjective judgments and assumptions regarding different businesses and the interrelationships between them.

4) According to a Forbes.com study in 2000, the value of 26 of the 30 franchises increased over the previous year. None of the four franchises which saw their value drop (Orioles, Diamondbacks, Blue Jays, Padres) are among those being considered for contraction. What are the criteria for being considered for contraction?

Answer:

The principal criterion for contraction is a team's inability to generate sufficient local revenues to support long-term financial stability and competitiveness on the field.

5) What does Major League Baseball estimate as the economic cost of contraction on local communities, including potential employment losses? Please provide us with any studies or analyses regarding such costs completed by or on behalf of Major League Baseball or that you are otherwise aware of.

Answer:

Baseball has not performed an analysis of the economic cost of contraction on potential local communities.

6) Major League Baseball has argued that it needs its antitrust exemption to protect the fans from facing the relocation of their favorite teams. Yet, as owner of the Brewers you reportedly threatened to move the team unless the city financed a new stadium; baseball also was said to have helped the White Sox use the threat of relocation as leverage for a new taxpayer financed stadium. This seems to be standard operating procedure around the country—San Francisco, Houston and now Minnesota. If the antitrust exemption is left alone, will Major League Baseball commit to prevent the relocation of teams from cities that do not provide new publicly financed stadiums?

Answer:

First, I absolutely did not threaten to move the Brewers from Milwaukee at any time during the long and arduous process leading to a joint public-private financing for a new stadium, which has been a great success for all involved in Milwaukee.

The best evidence of how Baseball will continue to make use of its exemption in the area of franchise stability is Baseball's recent history. Since 1972, the year that the United States Supreme Court last ruled in support of Baseball's antitrust exemption, there have been no franchise movements whatsoever in baseball. Compare that situation to those in the other sports, which do not enjoy the benefits of an exemption. Baseball has been and remains committed to franchise stability.

7) Can you promise that you will not eliminate any minor league clubs over the next five years? If not, what is the range of minor league clubs that you would expect to be eliminated?

Answer:

Baseball can promise that it will not eliminate any minor league clubs while the current Professional Baseball Agreement is in place. After that agreement terminates, that issue and many other interrelated matters are subject to bilateral negotiations with the minor leagues. We remain committed to working with the minor leagues to deliver professional baseball to as many communities as possible.

8) Based on your December 4th letter to me, I understand that minutes, notes, or other records of the November 6, 2001 meeting were not kept by Major League Baseball. Please provide us with the nature of the debate (e.g., arguments made for and against contraction), and describe the votes that were taken concerning contraction and how each participant voted.

Answer:

Minutes will be, but have not yet been, prepared for the meeting to which you refer. There was overwhelming support among the Clubs for contraction and all Clubs ultimately voted in favor of it except Montreal and Minnesota.

9) You indicated in your December 4th letter to me that the definition of home television territories of baseball clubs are maintained in the Commissioner's Office. Please provide to the Committee the definitions of home television territories for each baseball club that are maintained by the Commissioner's Office.

Answer:

The Clubs' current home television territory definitions are attached as *Exhibit A*.

10) Based on the "2001 Income Loss by Club" provided to the Committee, more than half of baseball's total operating losses were incurred by only four clubs—the Atlanta Braves, the Los Angeles Dodgers, the Texas Rangers, and the Toronto Blue Jays. All four were recently purchased by major media conglomerates. To what extent are club losses by these teams balanced by other business interests not reflected in your "2001 Income Loss by Club" data?

Answer:

The economic impact that owning a baseball franchise may have on related businesses of an owner has not been determined by Major League Baseball. The 30 club owners have their own individual philosophies of how to operate under baseball's current economic system.

Congress of the United States
Washington, DC 20515

October 25, 2001

Mr. Allan H. "Bud" Selig
Commissioner of Baseball
Major League Baseball
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Dear Mr. Selig:

As Virginia continues to recover from the attacks of September 11, we must also rebuild communities directly affected by those tragic events. Major League Baseball now has a unique opportunity to participate in this effort while bringing the nation's pastime back to the National Capital Area. We urge Major League Baseball to accept this opportunity.

By acting quickly to locate a team permanently in Northern Virginia, baseball will provide a boost to the region's morale as well as stimulate sectors of the regional economy that have felt the greatest impact from the terrorist attack on the Pentagon and the subsequent extended closure of and reduction in service at Reagan National Airport.

Areas exist in Northern Virginia near the Pentagon and Reagan National that could be developed into a new national landmark ballpark. It would be fitting to dedicate this site as a lasting memorial to American freedom and to the men and women of our armed forces who gave their lives in its defense on September 11.

There has been a 30-year baseball void in the National Capital Area. Now more than ever is the time for Major League Baseball to restore the game that calls itself "America's National Pastime" to the capital region. We also believe that Northern Virginia has well established its case as an ideal location for a permanent home for baseball.

We were pleased to discuss our position with your representative Corey Busch on October 11. We trust that he conveyed to you the strength of our convictions on this important subject. We urge you and your colleagues to accept this opportunity and act now with us in partnership with the Commonwealth of Virginia and private interests to bring baseball to Northern Virginia.

Sincerely,

George Allen
U.S. Senator

John Warner
U.S. Senator

Mr. Allan H. "Bud" Selig
October 25, 2001
Page 2

Frank Wolf
Member of Congress

Jim Moran
Member of Congress

Tom Davis
Member of Congress

The Report of the Independent Members of the Commissioner's Blue Ribbon Panel on Baseball Economics

July 2000

Richard C. Levin

George J. Mitchell

Paul A. Volcker

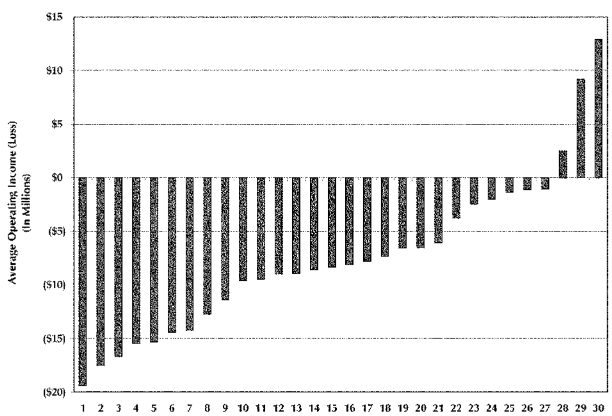
George F. Will

Table 1: Division Series ("DS") and League Championship Series ("LCS"), and World Series Games Won by Payroll Quartile, 1995-1999

	Quartile I			Quartile II			Quartile III			Quartile IV			Total
	Avg Payroll	DS & LCS	W-S	Avg Payroll	DS & LCS	W-S	Avg Payroll	DS & LCS	W-S	Avg Payroll	DS & LCS	W-S	Games Won
1995	$46.4	19	6	$36.9	6	0	$31.4	0	0	$17.8	0	0	31
1996	50.0	19	6	37.9	7	0	28.1	0	0	18.2	0	0	32
1997	57.4	26	7	45.3	1	0	35.4	0	0	21.5	0	0	34
1998	64.0	18	4	50.1	8	0	35.4	0	0	18.0	0	0	30
1999	78.8	25	4	55.7	2	0	41.0	0	0	20.2	0	0	31
Total		107	27		24	0		0	0		0	0	158
Note: All dollar figures are in millions.													

From 1995 through 1999, a total of 158 postseason games were played. For analytical purposes, it is useful to divide the clubs into "quartiles" by ranking them (based on payroll) from high to low and separating the clubs into four equal size groups. For example in 1995, the seven clubs with the highest payrolls would constitute "Quartile I."[1] During this five-year period, ***no club*** from payroll Quartiles III or IV won a DS or LCS game, and ***no club*** from payroll Quartiles II, III or IV won a World Series game.

Chart 1: Average Annual Operating Income for All Clubs, 1995-1999



From 1995 through 1999, only three clubs achieved profitability: Cleveland, Colorado and the New York Yankees.

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[1] Prior to the expansion in 1998, each quartile consisted of seven clubs. After the 1998 expansion, Quartiles I and III have eight clubs and Quartiles II and IV have seven clubs.

Table of Contents

Table of Charts

Table of Tables

I. Summary of Findings, Conclusions and Recommendations

I.1. Overall Conclusions

The Commissioner's Blue Ribbon Panel on Baseball Economics, representing the interests of baseball fans, was formed to study whether revenue disparities among clubs are seriously damaging competitive balance, and, if so, to recommend structural reforms to ameliorate the problem. After 18 months of extensive investigation, we conclude:

a. ***Large and growing revenue disparities exist*** and are causing problems of chronic competitive imbalance.

b. ***These problems have become substantially worse*** during the five complete seasons since the strike-shortened season of 1994, and seem likely to remain severe unless Major League Baseball ("MLB") undertakes remedial actions proportional to the problem.

c. The limited revenue sharing and payroll tax that were approved as part of MLB's 1996 Collective Bargaining Agreement with the Major League Baseball Players Association ("MLBPA") ***have produced neither the intended moderating of payroll disparities nor improved competitive balance***. Some low-revenue clubs, believing the amount of their proceeds from revenue sharing insufficient to enable them to become competitive, used those proceeds to become modestly profitable.

d. In a majority of MLB markets, ***the cost to clubs of trying to be competitive is causing escalation of ticket and concession prices***, jeopardizing MLB's traditional position as the affordable family spectator sport.

I.2. Revenue Disparities

Measured simply in terms of gross revenues, which almost doubled during the five complete seasons (1995-1999) since 1994, MLB is prospering. But that simple measurement is a highly inadequate gauge of MLB's economic health. Because of anachronistic aspects of MLB's economic arrangements, the prosperity of some clubs is having perverse effects that pose a threat to the game's long-term vitality. Here are a few of the facts about revenue imbalances:

a. What are called local revenues (including gate receipts, local television, radio and cable rights fees, ballpark concessions, advertising and publications, parking, suite rentals, postseason and spring training) are the largest single component of most clubs' annual revenues. The ratio between the highest and lowest club's local revenues has more than doubled in just five years, from 5.5:1 in 1995 to 14.7:1 in 1999. The average ratio between the three clubs with the highest local revenue and the three with the lowest has risen from 4.1:1 to 7:1.

b. Since 1995, local revenues have increased an average of $54 million for clubs in revenue Quartile I (the highest-revenue clubs), but local revenues have increased an average of only $8 million for clubs in Quartile IV.[2]

c. In 1999, one club's local revenues exceeded by approximately $11 million the combined local revenues of six other clubs.

d. Although Central Fund revenues, which historically have been distributed evenly among all clubs, have more than doubled since 1995, they now are a smaller percentage of most clubs' revenue than in 1995.

e. Between 1995 and 1999, clubs in revenue Quartile I increased their total annual revenues (which includes local revenue, Central Fund revenue and revenue sharing) by an average of $55 million, while the total annual revenues of Quartile IV clubs increased only by an average $32 million.

f. Between 1995 and 1999, the difference in total revenue between the average club in Quartile I and the average club in Quartile IV soared from $48 million to $71 million.

g. In 1999, the average total revenue of Quartile I clubs was 32 percent larger than the average revenue of Quartile II clubs, 73 percent larger than the average of Quartile III clubs and 118 percent larger than the average of Quartile IV clubs.

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[2] As noted in footnote 1, the clubs are divided into quartiles by ranking them from high to low (in this case based on local revenue) and separating the clubs into four groups. Elsewhere clubs are divided into quartiles based on payroll or total revenue.

h. Between 1995 and 1999, the difference between the highest and lowest club's total revenues rose from $74 million to $129 million.

i. In 1999, the total revenue of the highest revenue club exceeded by $14 million the combined revenues of the three lowest revenue clubs.

j. In 1999, the sum of the revenues of the top three revenue clubs exceeded the ***combined*** revenues of ***all*** the clubs in Quartile IV by $33 million.

I.3. Payroll Disparities

Not surprisingly, widening revenue disparities have been accompanied by widening payroll disparities:[3]

a. In 1999, one club had a payroll approximately equal to the sum of the payrolls of the lowest five payroll clubs.

b. In 1999, the combined payrolls of the highest two payroll clubs exceeded the ***combined*** payrolls of ***all*** clubs in payroll Quartile IV by $30 million.

c. In 2000, the salary of the game's highest paid player is equal to the entire Opening Day player payroll of one club (Minnesota).

d. In 2000, three clubs (Minnesota, Florida, Kansas City) had Opening Day player payrolls that were less than the combined salaries of two players of one club. The seven clubs that comprise payroll Quartile IV each had a player payroll that was less than the combined salaries of the Yankees' or Dodgers' highest paid three players.

e. Between 1995 and 1999, the average payroll of clubs in the top revenue quartile increased $28 million, while the average payroll of clubs in the bottom revenue quartile increased only $4 million.

f. In 1995, revenue Quartile I clubs spent approximately twice as much on players as revenue Quartile IV clubs spent. By 1999, Quartile I clubs' spending was approximately three times that of Quartile IV clubs.

g. Between 1995 and 1999, the total of all clubs' payrolls increased 61 percent, but whereas the average 1999 payroll of clubs in revenue Quartile I was $28 million larger than in 1995, the average 1999 payroll of clubs in revenue Quartile IV was only $4 million larger.

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[3] The analysis in the text is based on 25-man roster payrolls.

h. The average payroll of clubs in payroll Quartile I was $32 million (70 percent) larger in 1999 than in 1995, but the average payroll in Quartile IV increased only $2 million (13 percent).

i. In 1995, payroll Quartile I clubs spent two and one half times more on payrolls than the Quartile IV clubs. By 1999, Quartile I clubs spent four times more.

j. Between 1995 and 1999, the difference between the highest and lowest club's payrolls increased from $45 million to $77 million and the difference between the highest club's payroll and the average of all clubs' payrolls increased from $22 million to $43 million.

I.4. Payroll and Competitiveness

Not surprisingly, there is a strong correlation between high payrolls and success on the field. Although a high payroll is not always sufficient to produce a club capable of reaching postseason play—there are instances of competitive failures by high payroll clubs—a high payroll has become an increasingly necessary ingredient of on-field success:

a. From 1995 through 1999, every World Series winner was from payroll Quartile I and no club outside payroll Quartile I won even a single game in the Series. Indeed, the winner each year was among the five clubs with the largest payrolls.

b. With the exception of 1998, even the World Series loser has been from payroll Quartile I. (The 1998 loser, San Diego, was from Quartile II and lost in four games.)

c. No team in payroll Quartiles III or IV won any of the 158 playoff games from 1995 through 1999.

I.5. Other Findings and Conclusions

Sports leagues do not function as free markets. If they did, the clubs would be clustered in a few large markets. Rather, sports leagues are blends of cooperation and competition—cooperation for the sake of producing satisfactory competitiveness.

MLB has enjoyed a long-standing exemption from anti-trust laws that govern other industries. MLB and other professional sports leagues operate under rules which have withstood legal scrutiny. These rules are intended to protect the public interest by enabling franchises in communities of varying sizes and with different market conditions to compete against each other with a reasonable opportunity to succeed.

The goal of a well-designed league is to produce adequate competitive balance. By this standard, MLB is not now well-designed.

In the context of baseball, proper competitive balance should be understood to exist when there are no clubs chronically weak because of MLB's structural features. Proper competitive balance will not exist until every well-run club has a ***regularly recurring reasonable hope of reaching postseason play***.

Granted, competitive balance as here defined has been an elusive goal, when it has been a goal at all, throughout MLB's history. However, the fact that baseball's structural flaws are historic is not an argument for continuing acceptance of them. This is particularly so when they are producing revenue disparities with unhealthy consequences for competitive balance.

What has made baseball's recent seasons disturbing, and what makes its current economic structure untenable in the long run, is that, year after year, too many clubs know in spring training that they have no realistic prospect of reaching postseason play. Too many clubs in low-revenue markets can only expect to compete for postseason berths if ownership is willing to incur staggering operating losses to subsidize a competitive player payroll.

Furthermore, baseball fans are not, and should not be asked to be, as stoical about competitive imbalance as they have been in the past. Competition for the sports entertainment dollar, and for the sport fan's attention, is increasingly intense. There was a time when baseball had the almost undivided attention of sports fans from April to October. Now, however, there are just six weeks between the last National Basketball Association ("NBA") championship game and the first National Football League ("NFL") preseason game. MLB must improve its competitive balance if it is to remain competitive with other sports attractions.

Unfortunately, one of MLB's strengths—its long tradition, with roots running deep into 19th century America—currently has a debilitating cost. Baseball operates under an anachronistic economic model, unlike the NFL and NBA. Forty years ago, those leagues were soft wax that could be given shapes appropriate to the exigencies of the modern market for professional sports. But forty years ago, MLB was operating, as it still is, under many fundamental arrangements that even then were more than sixty years old. These arrangements long predate the advent of, to cite just one example, broadcasting.

The NFL and NBA have thrived with structures that allow franchises in widely different kinds of markets (including small media markets such as Green Bay and San Antonio) to succeed. To ensure baseball's broad and enduring popularity, and to guarantee its future growth, MLB needs a structure under which clubs in smaller markets can have regularly recurring chances to contend for championships.

Solutions to baseball's competitive imbalance should flow from the following postulates:

a. Baseball should vigorously develop new ways to increase revenues, but that alone will not solve baseball's problem of competitive imbalance.

b. The heart of the problem is the large and growing disparity of what are called "local" revenues.

c. Although most of baseball's revenues are these local revenues, *none* of the revenues really result exclusively from the sale of a local product. It takes two clubs to have a game and 30 clubs to have today's divisional races. All clubs are selling—indeed, all are elements of—a single product, MLB.

d. Therefore, to reform baseball's structure to produce reasonable competitive balance, substantially more of the industry's revenues should be treated as just that—the *industry's* revenues—and should be distributed in ways that cause all clubs to operate within a much narrower band of unequal economic resources. The band should be broad enough to allow baseball entrepreneurship to be rewarded, but narrow enough that intractable differences between local markets do not produce a baseball underclass of chronically uncompetitive clubs.

e. The fundamental objective of reform should be an industry in which each team's success on the field, over time, will be determined by the skill of the players and the baseball acumen of the men and women who conduct the team's business—scouting, player development, baseball management, marketing, etc.

f. Any reform of MLB should protect and balance the interests of players, clubs and fans. These three constituencies should cooperate to create an economic structure that promotes a reasonable rate of growth of player salaries, produces competitive balance and preserves baseball as affordable family entertainment.

Our mission has been to consider the relevant economic data, indicators and variables. We have concluded that a majority of MLB clubs today are not reasonably competitive, that the problem of competitive balance is a product of MLB's economic structure, and that this structure is adversely affecting the ability of most clubs to increase revenues and achieve operating stability. Some of our recommendations cannot be implemented unilaterally by MLB and its member clubs. The concurrence of the MLBPA is necessary, and we encourage the MLBPA to collaborate with the implementation of our recommendations.

Our recommendations will be successful if MLB quickly achieves a durable competitive balance. An indicator of such balance would be a ratio of approximately 2:1 between the average payroll of the payroll Quartile I clubs to the average payroll of the payroll Quartile IV clubs. Such a ratio existed in the 1980s, a period of substantial competitive balance. In fact, during a number of years in that decade the ratio was less than 2:1.

In recent years the NFL, which enjoys substantial competitive balance, has had a ratio of the average of the highest seven payroll teams to the average of the lowest seven of less than 1.5:1. The comparable figure for the NBA during the last three years has been less than 1.75:1. MLB's current ratio, using either 25-man roster payrolls or 40-man roster luxury tax payrolls, is in excess of 3.5:1.[4]

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[4] See *infra* page 59 for a description of luxury tax payrolls.

I.6. Recommendations

The recommendations are as follows:

a. **Revenue Sharing**—***MLB should share at least 40 percent, and perhaps as much as 50 percent, of all member clubs' local revenue, less local ballpark expenses as uniformly defined.***

The limited revenue sharing enacted in recent years has failed to promote competitive balance, as intended. The modest amount of revenue that has been shared in recent years should be increased substantially in recognition of the indispensable role played by the visiting team in generating what historically but misleadingly has been referred to as "local revenue."

b. **Competitive Balance Tax**—***MLB should levy a 50 percent competitive balance tax on club payrolls that are above a fixed threshold of $84 million and all clubs should be encouraged to have a minimum payroll of $40 million.***[5]

The recommended "fixed threshold" is intended to refine the "luxury tax" adopted in 1996 and to raise the tax rate to promote compliance. We also recommend specific measures to encourage low payroll clubs to spend more on player payroll with the intent that the combination of these measures moves all MLB franchises into a payroll range that encourages competitive balance. The goal would be to constrain club payrolls that are very high and simultaneously raise club payrolls that are very low. The impact of these mechanisms, assuming no taxes were collected (probably an unrealistic assumption) and all clubs complied with the minimum payroll, would be that all clubs' payrolls would be in a zone bounded on the high side by $84 million, and bounded on the low side by $40 million, thus nearly reestablishing the 2:1 payroll ratio between the highest and lowest payroll clubs. In the event that our combined recommendations prove inadequate to reestablish this ratio, further adjustments should be made.

[5] The payroll figures utilized in this recommendation are based on the luxury tax payrolls calculated pursuant to the rules set forth in the current Basic Agreement with the MLBPA. These payroll figures are higher than the 25-man roster payrolls used elsewhere in this document because they include the cost of salaries paid to all 40 players under Major League contracts and the cost of benefits, the most significant of which are the pension and health costs associated with the Major League Baseball Benefit Plan.

c. **Central Fund Distributions**—***MLB should use unequal distribution of new Central Fund revenues to improve competitive balance, creating a "Commissioner's Pool" that is allocated to assist low-revenue clubs in improving their competitiveness and in meeting the minimum payroll obligation of $40 million.***

MLB, in January 2000, granted the Commissioner new powers to distribute new Central Fund revenues in unequal amounts. The Commissioner's exercise of this power should be focused on "incremental" Central Fund revenues, beyond the $13 million per club distributed in 1999. The Commissioner should distribute new Central Fund revenues in a way that addresses the core problem of competitive balance: widely disparate local revenues.

Specifically, given the current level of local revenue disparity, a $40 million minimum payroll would sentence a number of clubs to significant and persistent unprofitability. The Commissioner should use the mechanism of disproportionate allocation to address this problem, to encourage revenue enhancing activities such as investments in new ballparks and to reward low-revenue clubs for developing young talent. To encourage compliance with the minimum payroll obligation, the Commissioner should declare any club below the $40 million minimum ineligible for an enhanced distribution.

d. **Competitive Balance Draft**—***Major League Baseball should conduct an annual "Competitive Balance Draft" of players in which the weakest eight clubs would have a unique opportunity to select non-40-man roster players from the organizations of the eight clubs that qualified for the playoffs.***

The recommendation is intended to promote long-term competitive balance by discouraging high revenue franchises from stockpiling talent in their farm systems that is unavailable to low-revenue franchises. The "Competitive Balance Draft" would distribute player talent more equally among all MLB clubs, but the ability to "protect" the 40-man roster would reward clubs for good baseball management and protect fans in each local community from having an established favorite player drafted by another team.

e. **Rule 4 Draft**—***Major League Baseball should implement reforms in the Rule 4 draft.***

Among the reforms would be inclusion of international players, elimination of compensation picks, increased opportunity for low-revenue clubs to sign top prospects, allocation of a disproportionate number of picks to chronically uncompetitive clubs, and allowing the trading of draft picks.

f. **Franchise Relocations**—*Major League Baseball should utilize strategic franchise relocations to address the competitive issues facing the game.*

Franchise relocation should be an available tool to address the competitive issues facing the game. Clubs that have little likelihood of securing a new ballpark or undertaking other revenue enhancing activities should have the option of relocation if better markets can be identified.

II. The Economic Condition of the Game

II.1. Overview

Despite impressive industry-wide revenue growth over the past five years, MLB has an outdated economic structure that has created an unacceptable level of revenue disparity and competitive imbalance over the same period. The growing gap between the "have" and the "have not" clubs—which is to say the minority that have a realistic chance of succeeding in postseason play and the majority of clubs that have poor prospects of reaching the postseason—is a serious and imminent threat to the popularity, health, stability and growth of the game.

Players appear to share this view. In a survey of MLB players published in the May 2, 2000 edition of *Baseball Weekly*, lack of competitive balance was cited as the biggest problem facing the game today. A vast majority of players surveyed responded that it was "very important" that small market teams have the same chance of reaching the World Series as large market teams.

The introduction of limited revenue-sharing and a "luxury tax" on payrolls for a trial period under the 1996 Collective Bargaining Agreement (known as the "Basic Agreement") apparently did not create any significant "drag" on player salaries and has not significantly enhanced competitive balance. In fact, a number of low-revenue clubs, realizing that they had no realistic chance to compete for the postseason, opted instead for marginal profitability from revenue sharing proceeds and did not increase their player payrolls. This grim fact of modern baseball life has frustrated fans in low-revenue markets.

Baseball's flawed economic structure also has contributed to a surge in ticket and concession prices, a trend that threatens to compromise baseball's traditional role as the "national pastime" and its important niche as affordable family entertainment in the professional sports marketplace. A May 15, 2000 cover story in *Sports Illustrated* about the skyrocketing cost of tickets to games in the NFL, NBA, NHL and MLB, noted: "Even major league baseball, which prides itself on being the least expensive of the four big sports, has raised its average ticket price 92.7 percent since 1991, from \$8.64 to \$16.65. Prices have soared 11.6 percent this season alone, and the best seats have risen at a pace that would make a day-trader blanch."

The combination of competitive imbalance and rising prices eventually could alienate MLB's core fan base and make the development of new generations of fans problematic, even as the global market for baseball expands and golden opportunities abound to make the game more popular and prosperous.

In recent years, there has been a rapidly accelerating disparity in revenues and, consequently, payrolls between clubs in high- and low-revenue markets. There also has been a stronger correlation between club revenues/payrolls and on-field competitiveness in the years since the issue of competitive balance was studied by the Joint Economic Study Committee which issued its report in 1992.[6] The inescapable conclusion is that major structural problems exist in the economics of professional baseball. If these flaws are not addressed by MLB promptly, decisively, and ultimately in conjunction with the MLBPA, the future of the game as we have known it will be imperiled.

A reasonably level playing field, on which clubs representing markets that are quite diverse geographically, demographically and economically can compete with at least periodic opportunities for success, is fundamental to MLB's continued growth and popular appeal. Yet, from 1995 through 1999, a total of 158 MLB postseason games were played. During this period, no club whose payroll fell in the lower half of the industry won even a single postseason game. Only one has even qualified for the postseason.

MLB is now essentially divided into three groups of unequal size: 1) clubs that expect to perform well in the postseason; 2) clubs that hope for an occasional "dream season" to reach the postseason; and 3) clubs that know going to spring training that they will not make the playoffs.

Also distressing from an ownership standpoint are several other facts that are of less concern to fans: 1) only three MLB clubs have operated profitably over the past five years, despite the industry's revenue growth; 2) club debt nearly quadrupled over seven years, from $604 million in 1993 to $2.08 billion in 1999; and 3) appreciation in MLB franchise values has not matched that in other major professional sports leagues.

In short, it should be apparent that the time for tinkering with MLB's existing, flawed economic structure has passed and that sweeping changes in the game's economic landscape are necessary. What is required is a corrective course of action to: 1) implement reforms on matters that are not subject to collective bargaining and that can be imposed unilaterally by the Commissioner and the 30 member clubs in the best interests of the game and its fans; and 2) engage the MLBPA in cooperative and collaborative discussions, as appropriate within the MLBPA's collective bargaining rights, to develop and implement long-term structural changes, strategies and joint marketing initiatives to make the game more popular and prosperous, nationally and internationally.

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[6] The Joint Economic Study Committee was established by the 1990 Basic Agreement. The Joint Committee was composed of representatives of MLB, the MLBPA and outside experts.

II.2. Basic Assumptions

This report assumes that, year in and year out, player salaries and other costs of operating an MLB franchise ultimately will be borne by the fans of the game, and that the long-term interests of the fans are paramount. We also begin with the assumption that it is clearly in the best interests of MLB and its fans to have franchises located in viable markets throughout North America rather than concentrated in a few major markets.

This report also assumes that a reasonable degree of competitive balance is an essential foundation for the continued popularity and growth of the game, and that mechanisms must be in place to ensure long-term competitive balance despite the inevitable inequalities in size, local market conditions and demographics of the communities in which MLB franchises are located. We have adopted the standard of competitiveness held by most North American fans:

> ***A well-managed club that demonstrates baseball acumen should allow its fans a reasonable hope that their club will be able to play and win in the postseason.***

This standard is not arbitrary. It matches the views of most fans of baseball and other major professional sports. One of baseball's oldest and cherished notions is that ***hope springs eternal,*** and that every club is a contender at least in spring training. If a club's season ended in futility, the fans' rallying cry was always, "Wait till next year," because a new season always brought renewed hope. The realization that fans may now feel defeated before the first game in a ***majority*** of MLB communities is a cause for grave concern.

III. Data and Analysis

Preparation of this report required an extensive analysis of data provided by MLB for 1995 through 1999 about each club's regular season and postseason won-loss record, ticket and concession prices, local revenues, player payroll, revenue sharing payments or receipts, profits and losses.

Because many of the data and interpretations in this section rest upon summary statistics such as quartile analysis, some may question whether important differences among clubs are obscured. Therefore, detailed information about each team for the 1995 through 1999 seasons is included in Section VII, Appendix III.

III.1. Industry Revenues

The years following the 1994-1995 players' strike have seen substantially increased revenue to the industry. The average revenue of clubs in 1999 approached $100 million.[7] Industry revenues have doubled during the past five years, as shown by the following table:

Table 2: Industry Revenues

	1995	1996	1997	1998	1999
Revenue	$1,384,985,100	$1,775,166,374	$2,067,222,496	$2,478,851,353	$2,786,874,001
% Increase		28.2%	16.5%	19.9%	12.4%

Revenue to clubs comes primarily from three sources:[8] 1) ***so-called local revenues*** include ticket sales, local television, radio and cable rights, ballpark concessions, parking, and team sponsorships; 2) ***Central Fund revenues*** are generated by industry-wide contracts, such as national television contracts and licensing arrangements, and historically have been distributed evenly to all clubs; and 3) ***revenue sharing***, introduced in 1996, transfers locally generated money from high-revenue clubs to low-revenue clubs.

Revenues, in all likelihood, will continue to grow during the next decade as new ballparks are opened. New ballparks have opened this season in San Francisco, Houston and Detroit, and others are expected to open in 2001 in Milwaukee and Pittsburgh, and soon in San Diego and Cincinnati. Plans are moving forward for new ballparks in other communities in the future.

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[7] See Table 28: Total Revenue by Club, 1995-1999, on page 82.

[8] For a more complete definition see *infra* page 59.

The new generation of ballparks that began with the 1992 opening of Oriole Park at Camden Yards in Baltimore includes design and programming features and modern amenities that have proved to be enormously popular with the public. These ballparks have dramatically increased the attendance and revenues of the clubs that play in them. In addition to Baltimore, the franchises with new ballparks that opened in the 1990s include Arizona, Atlanta, Chicago White Sox, Cleveland, Colorado, Seattle and Texas. St. Louis and Anaheim undertook major renovations that transformed dual-purpose stadiums (football and baseball) into baseball-oriented facilities. New ballpark construction and renovation has made a significant contribution to revenue growth in the second half of the past decade.

In fact, the construction or renovation of facilities to add modern amenities has been effective in increasing the revenue - and therefore the player payroll and competitiveness - of some clubs. In many cases, the ballparks themselves have become attractions, dramatically increasing attendance and revenues and providing the club the financial resources to field teams with payrolls high enough to have a chance to be competitive.

It is reasonable to expect that new ballparks will continue to fuel industry revenue growth for the foreseeable future, and this is a positive trend for the industry. However, revenue growth alone does not provide a long-term solution for the structural flaws in MLB's economic system. Eventually, most clubs will have attractive, baseball-oriented facilities with modern amenities, and then the revenue/payroll disparities that breed competitive imbalance will be magnified because the clubs in large media markets have revenue opportunities from new ballparks that are greater than those of their counterparts in smaller markets. They can command more for naming rights, ballpark signage, team sponsorships, etc. They can charge more for tickets, sell more suites and club seats than their small market competitors, as well as receive substantially more for local television and radio rights. The level of public investment in new ballparks also varies dramatically from community to community, which means that some clubs need to devote much more of their newly generated revenue to private financing and debt service than others.

New ballparks are vitally important for expanding the game's prosperity. Baseball is best enjoyed in intimate, charming venues that become attractions themselves, regardless of whether the home team is winning or losing. However, they are not in and of themselves the answer to solving the competitive balance and economic problems that plague MLB.

III.2. Local Revenues

The following table shows the growth in what has traditionally been called local revenue during the past five years. Local revenue is the single fastest growing component of industry revenues.

Table 3: Local Revenue Growth, 1995-1999

	1995	1996	1997	1998	1999
Local Revenue	$1,174,962,112	$1,387,730,133	$1,594,272,561	$1,946,065,708	$2,197,319,000
% Increase		18.1%	14.9%	22.1%	12.9%

Local revenue grew 87 percent from 1995 to 1999, adding some one billion dollars (or roughly $200 million each year) to the industry's total revenues. From 1996 through 1999, local revenue constituted approximately 79 percent of total industry revenue.[9]

In 1999, the range of local revenues was enormous, from $12 million for Montreal to $176 million for the New York Yankees.[10] This begs the obvious question: How can a club like Montreal expect to compete with the New York Mets, whose local revenues are ten times greater? The inescapable answer is: They cannot, even with a productive scouting and player development system and sound baseball management. Several low-revenue clubs in the 1990s have tried to remain competitive on the field with a strategy of devoting their modest resources to scouting and player development and fielding teams of young, talented players who likely would have had more minor-league seasoning with higher-revenue, higher-payroll clubs. The theory under which these lower-revenue clubs have operated is that their fans would appreciate seeing young, aggressive, "hungry and hustling" teams and that they would be able to retain a nucleus of these young stars long enough to contend periodically for the postseason. Unfortunately, doing so has become increasingly problematic, and fans in those markets have become progressively frustrated, disillusioned and resigned to also-ran status as a seemingly endless succession of their home-grown talent has moved on, via free agency or financially motivated trades, to help high-revenue, high-payroll clubs to championships.

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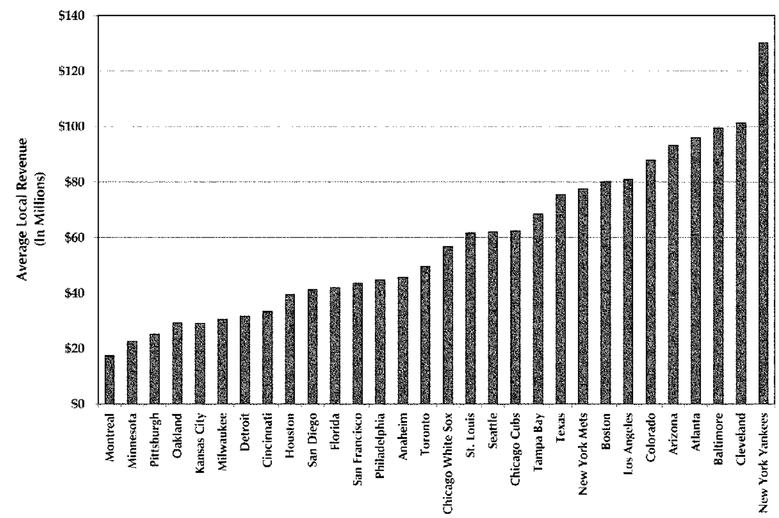
[9] In 1995, during a strike-shortened season, local revenues comprised approximately 84 percent of industry revenues.

[10] For a complete list of club local revenues, see Table 27: Local Revenue by Club, 1995-1999, on page 81.

The graphic depiction of the problem illustrates just how steep a mountain the low-revenue clubs have to climb. The following chart shows the average local revenues received by all MLB clubs during the past five years.

Chart 2: Average Local Revenue by Club, 1995-1999[11]



Local revenues generally are the largest component of most clubs' annual revenue. Unlike other professional sports, in which a much larger portion of television rights fees are pooled and distributed equally among all teams, most MLB television and radio rights are negotiated and sold locally, in each individual market. Only the rights to network television and radio (essentially the rights to postseason games) and a national cable package are sold by MLB, with the revenue going to the Central Fund. Because local markets vary greatly in size, the local TV and radio revenues flowing to each club vary in size by large amounts. The local radio and TV rights received by some clubs exceed the total revenues of other clubs.

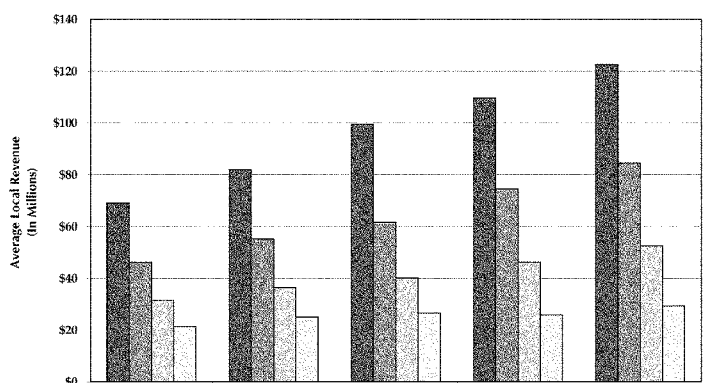
[11] The figures for local revenue throughout this section are before revenue sharing.

Media market rank also affects other local revenues available to clubs, including the amount they can charge for ballpark naming rights, signage, sponsorships, etc. No matter how well-managed a club might be, it cannot change its media market rank - a factor in the revenue disparity that translates to payroll disparity and competitive imbalance.

The disparity in local revenues also can be examined by considering all clubs in their respective revenue quartiles,[12] where Quartile I contains the highest revenue clubs and Quartile IV contains the lowest revenue clubs.

Over the period 1995 to 1999, average local revenue (*i.e.*, ticket sales, concessions, local television and radio, sponsorships, etc.) has increased by $53.5 million for revenue Quartile I clubs, but has increased only an average of $7.9 million for revenue Quartile IV clubs. Revenue Quartiles I, II and III all had regular increases during the five-year period, as shown below. The average for Quartile IV has not shown a consistent increase. (The average declined from 1997 to 1998.) The seemingly unbridgeable - and ultimately unacceptable - chasm between the "haves" and "have-nots" has grown wider.

Chart 3: Average Local Revenue by Revenue Quartile



	1995	1996	1997	1998	1999
Quartile I	$69.05	$81.84	$99.48	$109.47	$122.56
Quartile II	$46.05	$55.16	$61.67	$74.54	$84.46
Quartile III	$31.39	$36.37	$40.02	$46.05	$52.56
Quartile IV	$21.36	$24.87	$26.59	$25.73	$29.31

[12] For 1995-1997, all four quartiles consisted of seven clubs. In 1998 and 1999, with the addition of two new clubs, Quartiles I and III contained eight clubs, while Quartiles II and IV contained seven clubs.

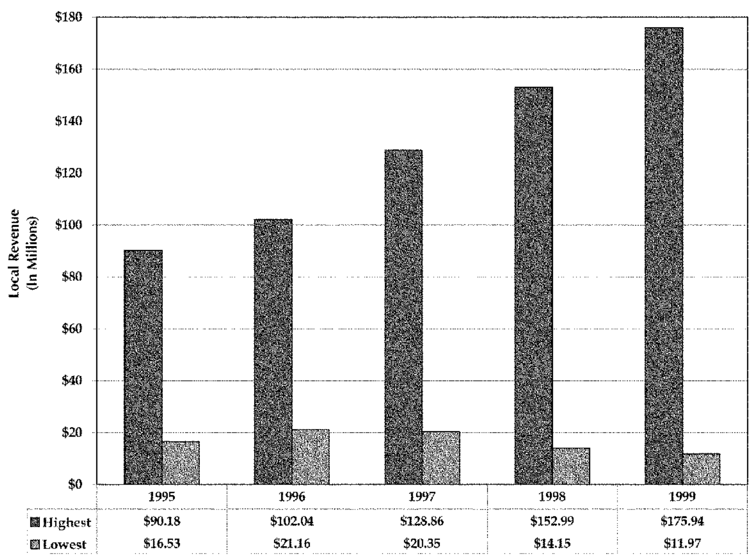
This observation is confirmed by reviewing the local revenue growth rates for the various quartiles:

Table 4: Percent Change in Local Revenue by Year

Quartile	1996	1997	1998	1999	Average
I	18.5%	21.5%	10.0%	12.0%	15.4%
II	19.8%	11.8%	20.9%	13.3%	16.4%
III	15.9%	10.0%	15.1%	14.1%	13.8%
IV	16.4%	6.9%	(3.2)%	13.9%	8.3%

The following chart shows the highest and lowest local revenue clubs during the past five years. The gap is huge and growing.

Chart 4: Highest and Lowest Club Local Revenue, 1995-1999



The difference in local revenues between the highest and lowest clubs has increased substantially in the past five years:

Table 5: Ratio of Highest Local Revenue to Lowest Local Revenue

1995	1996	1997	1998	1999
5.5:1	4.8:1	6.3:1	10.8:1	14.7:1

III.3. Central Fund Revenues

Central Fund revenue historically has been distributed equally to all clubs. The following table shows the amount of the annual allocation.[13]

Table 6: Average Annual Net Central Fund Distribution

1995	1996	1997	1998	1999
$4,774,951	$8,350,117	$10,675,462	$12,314,988	$13,315,000

Central Fund distributions have risen each year, but not as fast as the local revenues of some of the highest revenue clubs. The lowest revenue clubs, however, find that their Central Fund distribution is now larger than their local revenues.

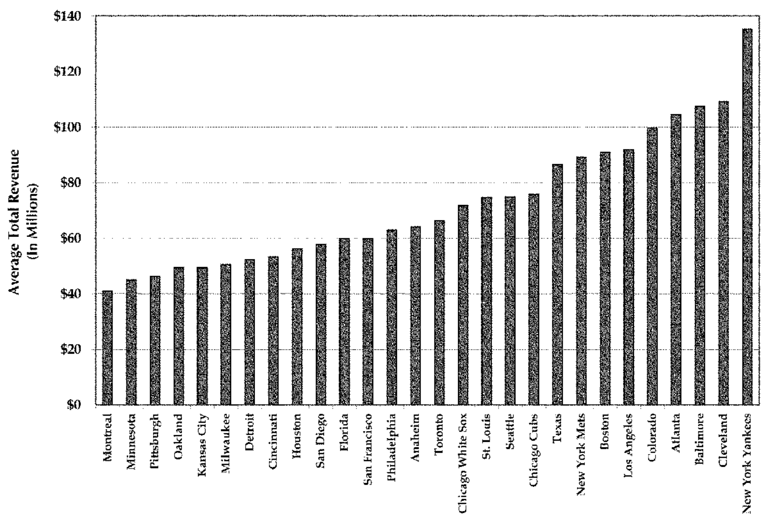
In addition to the central revenues that are shared equally by the clubs through the Central Fund, MLB has, since 1996, redistributed local revenues centrally through the mechanism contained in Article XXV of the Basic Agreement. Over this four-year period through the 1999 season, the higher revenue clubs have redistributed a total of $312 million to lower revenue clubs. Accordingly, in addition to the Central Fund payments a club receives, each club's total revenue figures reflect the club's revenue sharing (payments) or receipts.

[13] Net Central Fund distributions may vary slightly (less than 5 percent) from the table to reflect certain financial arrangements, including those for new franchises entering MLB; however, in 1998 and 1999, Arizona and Tampa Bay, as new franchises, received approximately 42 percent and 53 percent of the Central Fund distribution made to the other 28 clubs.

III.4. Total Revenues by Club

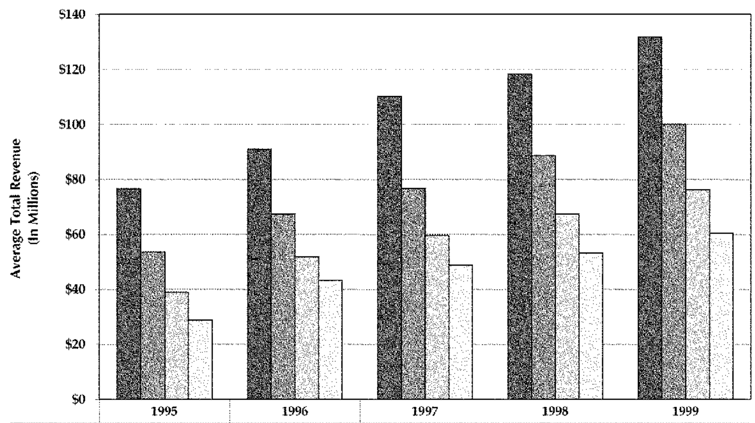
The range of average total revenues for each MLB club for the past five years is substantial, as shown by the following chart. It reflects revenue from all sources – *i.e.*, local revenue and Central Fund revenue, as well as the impact of revenue sharing, which can increase or decrease total revenue. Clearly, large revenue disparities continue to exist despite the limited experiment with revenue sharing.

Chart 5: Average Total Revenue by Club, 1995-1999



From 1995 to 1999, revenues of clubs in all four total revenue quartiles increased. Disparities between the top and bottom quartiles increased in terms of absolute dollars. This occurred despite the revenue sharing program which enabled bottom quartile clubs to increase total revenues by 109 percent while their top quartile counterparts grew revenue by 72 percent.[14]

Chart 6: Average Club Total Revenue by Revenue Quartile



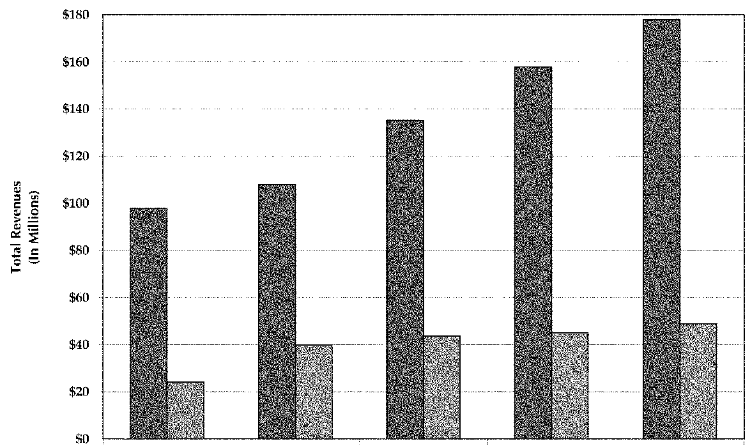
	1995	1996	1997	1998	1999
Quartile I	$76.55	$91.04	$110.12	$118.34	$131.82
Quartile II	$53.55	$67.48	$76.70	$88.65	$99.97
Quartile III	$38.89	$51.85	$59.67	$67.36	$76.23
Quartile IV	$28.86	$43.22	$48.83	$53.25	$60.39

From 1995 to 1999, clubs in revenue Quartile I increased their annual revenues by an average of $55 million, while Quartile IV clubs increased their revenues by only $32 million. The difference in total revenue between the average club in Quartile I and the average club in Quartile IV increased from $48 million to $71 million. In 1999, the average revenue of the Quartile I clubs was 32 percent, 73 percent and 118 percent higher than the average revenue of the clubs in Quartiles II, III and IV, respectively.

[14] In 1998, the introduction of two new clubs, Arizona and Tampa Bay, further increased industry revenues. Arizona and Tampa Bay increased the number of franchises to thirty and added a total of $323 million to total industry revenue for both 1998 and 1999.

While there are large differences between average club total revenues in the revenue quartiles, the differences between the highest and lowest clubs based on total revenue are even more pronounced, as shown by the following chart.

Chart 7: Highest and Lowest Clubs in Total Revenue



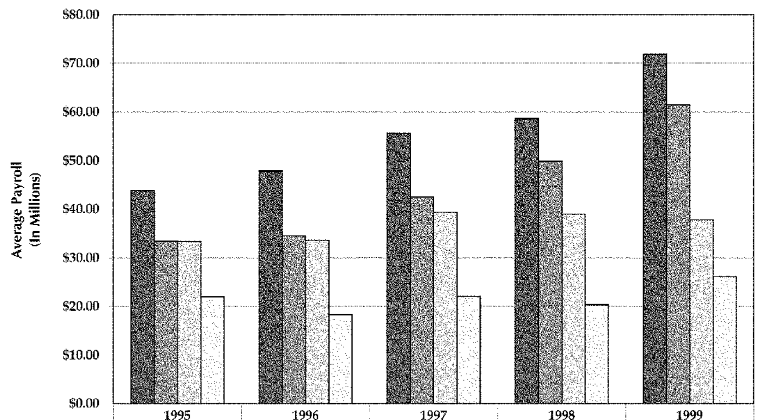
	1995	1996	1997	1998	1999
Highest	$97.68	$107.93	$135.12	$157.87	$177.94
Lowest	$24.03	$39.85	$43.59	$44.98	$48.80

The difference between the highest and lowest total revenues reported by all clubs rose from $74 million in 1995 to $129 million in 1999. During 1999, the total revenue of the highest revenue club exceeded, by $14 million, the sum of the total revenues for the lowest ***three*** clubs. The sum of the total revenues received by the top three revenue clubs exceeded the sum of the total revenues from the ***entire*** revenue Quartile IV by $33 million.

III.5. Club Payrolls[15]

The amount of each club's player payroll generally is related to its revenue. That is, the greater the club's revenue, the higher its payroll.

Chart 8: Average Payroll by Revenue Quartile, 1995-1999



	1995	1996	1997	1998	1999
Quartile I	$43.86	$47.87	$55.59	$58.63	$71.86
Quartile II	$33.40	$34.51	$42.46	$49.83	$61.46
Quartile III	$33.31	$33.56	$39.39	$38.95	$37.75
Quartile IV	$21.91	$18.24	$22.09	$20.32	$26.13

From 1995 to 1999, the average payroll for clubs in revenue Quartile I increased by $28 million, while the average payroll for clubs in revenue Quartile IV increased by only $4 million.

[15] The payrolls analyzed in this section are 25-man roster payrolls. Because the data in this section are used to illustrate the correlation between clubs' payrolls and winning percentages on the field, 25-man roster figures are most appropriate because that is the number of players on the active roster for most of the season.

The average club payroll for the past five years is shown below.[16] While the average MLB payroll has increased 50 percent, the previous chart indicates that clubs in revenue Quartiles III and IV increased their payrolls by only 13 percent and 19 percent, respectively.

Table 7: Average Club Payroll, 1995-1999

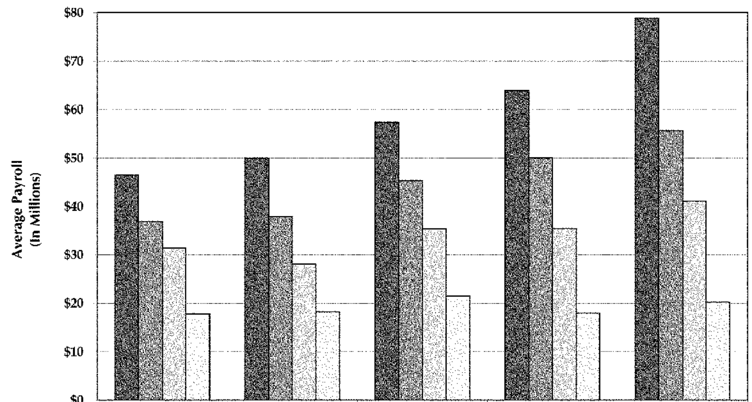
	1995	1996	1997	1998	1999	Increase
Average	$33.12	$33.54	$39.88	$42.39	$49.67	50%
Average Increase		1.3%	18.9%	6.3%	17.2%	
Note: All dollar figures are in millions						

Quite simply, the higher revenue clubs have the financial resources to: 1) sign high-salaried free agents from other clubs; 2) retain their own high-salaried players; and 3) sign top prospects from the Rule 4 draft, where signing bonuses for highly sought-after players have risen dramatically in recent years, and from foreign countries, where players are exempt from the draft and can be signed as free agents. The rich clubs become richer in talent, stockpiling expensive players, while poor teams cannot afford to bid on premium players either at the entry level or on the veteran free agent market.

[16] For a list of the payrolls for all clubs, see Table 29: Payroll by Club, 1995-1999, on page 83.

By grouping clubs into four payroll quartiles, where payroll Quartile I clubs have the largest payrolls and payroll Quartile IV clubs have the lowest, the relative size of club payrolls can be examined.

Chart 9: Average Payroll by Payroll Quartile



	1995	1996	1997	1998	1999
Quartile I	$46.40	$49.97	$57.38	$63.96	$78.83
Quartile II	$36.90	$37.86	$45.29	$50.08	$55.67
Quartile III	$31.37	$28.11	$35.37	$35.45	$41.03
Quartile IV	$17.80	$18.24	$21.49	$17.97	$20.21

From 1995 to 1999, the average payroll for clubs in payroll Quartile I increased $32 million (or 70 percent), while the average payroll for clubs in Quartile IV increased $2.4 million (or 13 percent). Whereas in 1995, payroll Quartile I clubs spent approximately two and one-half times the amount spent by Quartile IV clubs on player payroll, in 1999 Quartile I clubs spent almost four times as much as Quartile IV clubs. This is a substantial departure from the historical pattern in MLB. From 1982 to 1990, the average ratio of the highest payroll quartile to the lowest payroll quartile was 2:1, and in three out of nine years the ratio was less than 2:1. The corresponding ratios for more recent years are as follows:

Table 8: Ratio of Payroll Quartile I Average to Payroll Quartile IV Average

1995	1996	1997	1998	1999
2.6:1	2.7:1	2.7:1	3.6:1	3.9:1

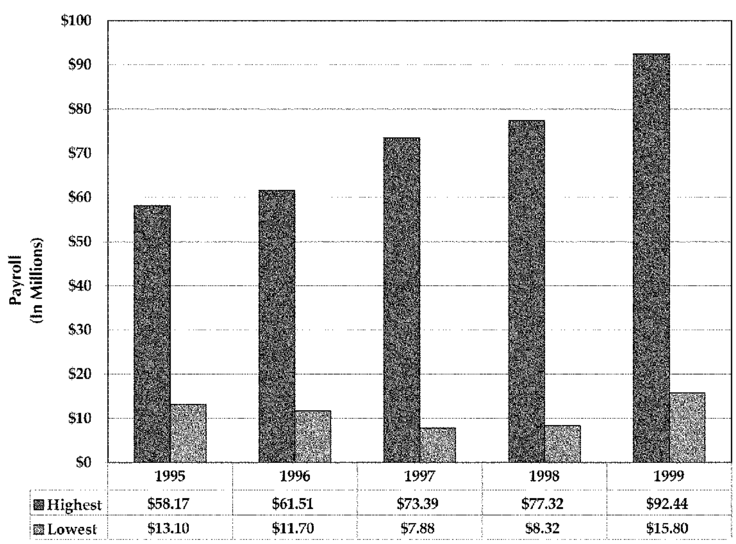
From 1995 through 1999, the total payroll of payroll Quartile I clubs increased from 35 percent of total MLB player payroll to more than 42 percent of total MLB payroll, while payroll Quartile IV was reduced from 13 percent to 10 percent, as shown in the following table.

Table 9: Total Payroll by Payroll Quartile, 1995 and 1999

	1995		1999	
Payroll Quartile	Payroll	%	Payroll	%
I	$324,832,473	35%	$ 630,610,722	42%
II	258,297,186	28%	389,695,321	26%
III	219,583,674	24%	328,270,441	22%
IV	124,621,083	13%	141,442,217	10%
Total	$927,334,416	100%	$1,490,018,701	100%

The gap between the highest club payroll and the lowest club payroll increased in 1995 through 1999, as shown in the following chart.

Chart 10: Highest and Lowest Club Payrolls



The difference between the highest and lowest club player payrolls increased from $45 million in 1995 to $77 million in 1999.

The payroll disparity in MLB is in stark contrast to the situation in professional football and basketball. For example, in the NFL the ratio of the average payroll of the highest seven teams to the average payroll of the lowest seven teams in 1999 was 1.4:1 and has been less than 1.5:1 in each of the last three years. In the NBA, the ratio of the highest seven to the lowest seven was 1.7:1 in 1999 and has been less than 1.75:1 in each of the last three years.

III.6. Club Competitiveness

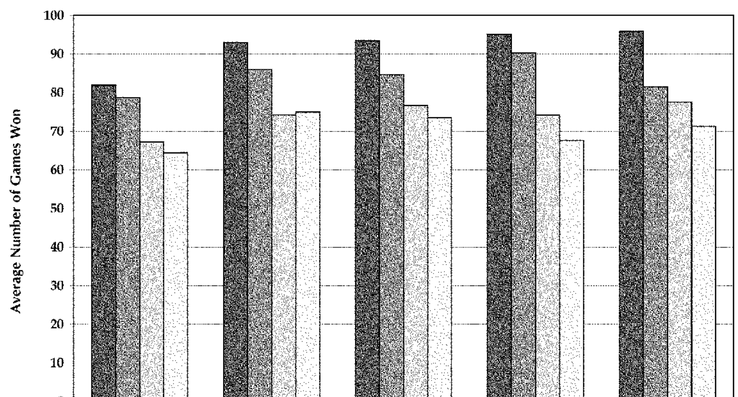
The total number of games won is generally closely related to the club's payroll. That is, the higher the payroll, the more games the club is likely to win. This is clearly not a foolproof correlation or an exact science. Occasionally, a low-payroll club does well on the field. High-payroll clubs also have flopped on the field. Team chemistry, skillful player evaluation and baseball management make a difference. But while it is evident that a high payroll is not the only element in fielding a winning club, it is an increasingly important element. Put another way, a high payroll does not automatically guarantee a good win-loss record and a contending season, but a low payroll usually means that a club cannot contend for a postseason berth or a championship.[17]

[17] Clubs that are successful on the field may have increased payrolls the following year because successful players are often rewarded with higher salaries.

III.7. Games Won by Year

The chart below examines the average number of games won by payroll quartile during the regular season and the postseason for 1995 through 1999.

Chart 11: Average Games Won by Payroll Quartile



	1995	1996	1997	1998	1999
Quartile I	82	93	94	95	96
Quartile II	79	86	85	90	82
Quartile III	67	74	77	74	78
Quartile IV	64	75	74	68	71

The lowest number of games won by any club in a full 162-game regular season[18] during the past half-decade was 53 games,[19] or slightly less than one-third of all that club's games. It has often been said that the worst club in MLB will win at least one-third of its games, and the best club will not win more than two-thirds of its games. So the competition is narrowed to trying to win the pivotal one-third of each team's games.

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[18] The 1995 championship season was shortened by the players' strike to 144 games.

[19] Detroit, in 1996. Florida won 54 games in 1998.

By 1999, those clubs with larger payrolls won substantially more games than they lost. The correlation of payroll advantage to victories is dramatic, as shown in the following table:

Table 10: Games Won and Lost by Payroll Advantage, 1999

	1999 Home Games Won												
Payroll Advantage	**All**	**25%**	**50%**	**75%**	**100%**	**125%**	**150%**	**175%**	**200%**	**225%**	**250%**	**275%**	**300%**
Games Won	1,284	568	442	339	275	222	182	173	134	103	83	79	66
Games Lost	1,174	379	295	218	169	140	103	93	75	49	41	38	28
Total Games	2,458	947	737	557	444	362	285	266	209	152	124	117	94
% Won	52%	60%	60%	61%	62%	61%	64%	65%	64%	68%	67%	68%	70%

	1999 Visitor Games Won												
Payroll Advantage	**All**	**25%**	**50%**	**75%**	**100%**	**125%**	**150%**	**175%**	**200%**	**225%**	**250%**	**275%**	**300%**
Games Won	1,174	518	406	320	247	209	166	153	123	98	80	73	59
Games Lost	1,284	424	326	241	200	167	124	106	86	59	43	42	35
Total Games	2,458	942	732	561	447	376	290	259	209	157	123	115	94
% Won	48%	55%	55%	57%	55%	56%	57%	59%	59%	62%	65%	63%	63%

These tables summarize the results of all 1999 home games and all 1999 away games. The column labeled "All" shows that the home team won 52 percent of games and that the visiting team won 48 percent of games in 1999. The percentages across the top of the chart next to the title "Payroll Advantage" show the percentage by which a club's payroll exceeded the payroll of its opponent in a particular game. These charts indicate an increasing percentage of games are won by both home and visiting clubs as their payroll advantage increases. For example, home teams won 52 percent of all games played in 1999, but the number jumped to 60 percent for home teams that had a 25 percent to 50 percent payroll advantage and rose steadily to 70 percent for teams that had a 300 percent payroll advantage. Similarly, visiting teams won 48 percent of all games in 1999 but the number jumped to 55 percent for visiting teams that had a 25 percent to 50 percent payroll advantage and rose steadily to 65 percent for teams with a 250 percent payroll advantage.[20]

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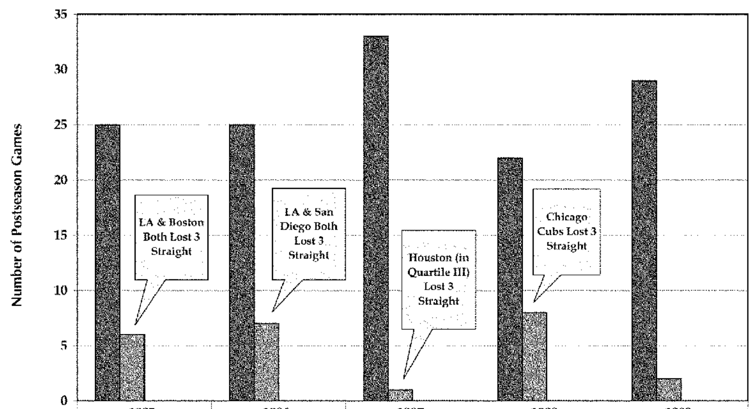
[20] Visiting teams with a 275 percent to 300 percent payroll advantage won 63 percent of their games, a slight statistical aberration attributable to the relatively small number of games involved.

The number of games that matched a club against an opponent with four times its payroll—*i.e.*, a 300 percent payroll advantage—increased from none in 1995 to 94 in 1999.[21] It should be noted that a game between teams with such a pronounced differential at the major league level would be unthinkable in the other professional sports. That said, the consequences of huge payroll differentials on competitiveness are quite clear.

III.7.1. Postseason Games Won

The stratification of clubs in different payroll quartiles into contenders and pretenders—those with a realistic chance of winning and the hopeless also-rans—is obvious when the postseason games are analyzed.

Chart 12: Postseason Games Won by Payroll Quartile



	1995	1996	1997	1998	1999
Quartile I	25	25	33	22	29
Quartile II	6	7	1	8	2
Quartile III	0	0	0	0	0
Quartile IV	0	0	0	0	0

From 1995 through 1999, a total of 158 postseason games were played. During this five-year period, no club from payroll Quartiles III or IV won a postseason game.

[21] For a complete listing of the effect of a payroll advantage, see Table 31: Games Won and Lost by Payroll Advantage, 1995-1999, on page 85.

Further, only one club from payroll Quartile III appeared in the postseason during this period.[22]

The postseason history during the past five years[23] shows that the highest payroll clubs tend to win more than they lose, even though most of the games they play are against clubs in the same payroll quartile. Payroll Quartile II clubs won only about one in four of the postseason games they played. Payroll Quartiles III and IV did not win any postseason games from 1995 through 1999, as shown in the following table and chart.

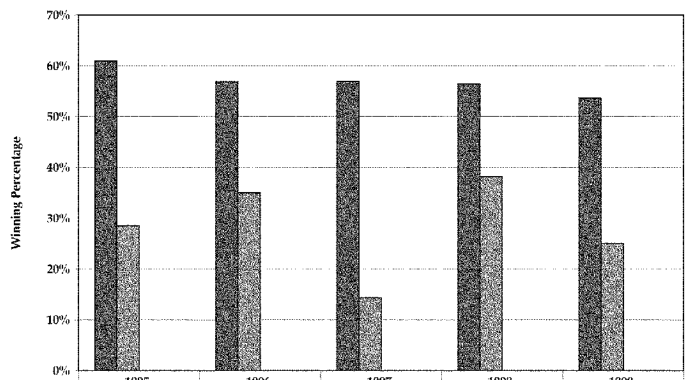
Table 11: Postseason Games Won by Payroll Quartile, 1995-1999

	Quartile I		Quartile II		Quartile III		Quartile IV		Total
	Average Payroll	Games Won	Average Payroll	Games Won	Average Payroll	Games Won	Average Payroll	Games Won	Games Won
1995	$46,404,639	25	$36,899,598	6	$31,369,096	0	$17,803,012	0	31
1996	49,968,487	25	37,860,344	7	28,105,906	0	18,239,075	0	32
1997	57,375,862	33	45,293,835	1	35,366,572	0	21,494,048	0	34
1998	63,964,127	22	50,084,997	8	35,445,569	0	17,970,347	0	30
1999	78,826,340	29	55,670,760	2	41,033,805	0	20,206,031	0	31
Total		134		24		0		0	158

[22] Houston appeared in the 1997 postseason, losing 3 straight games (to Atlanta, a payroll Quartile I club).

[23] For a listing of postseason results, see Table 26: Postseason Appearances by Payroll Quartile, 1995-1999, on page 80.

Chart 13: Postseason Winning Percentage by Payroll Quartile



	1995	1996	1997	1998	1999
Quartile 1	61.0%	56.8%	56.9%	56.4%	53.7%
Quartile 2	28.6%	35.0%	14.3%	38.1%	25.0%
Quartile 3	0.0%	0.0%	0.0%	0.0%	0.0%
Quartile 4	0.0%	0.0%	0.0%	0.0%	0.0%

III.7.2. League Championship Series

The LCS in both the American and National Leagues for the past five years have been played by clubs from payroll Quartiles I and II, as per the following table.

Table 12: LCS Appearances by Payroll Quartile

	1995	1996	1997	1998	1999
NL Winner	I	I	I	II	I
NL Loser	I	II	I	I	I
AL Winner	I	I	I	I	I
AL Loser	II	I	I	I	I

Of the twenty opportunities to appear in the LCS in both leagues, payroll Quartile I clubs advanced to their respective LCS 17 times, or 85 percent. Quartile II teams filled the remaining three slots. Payroll Quartiles III and IV did not appear in the LCS during this period. Nine of the ten series were won by payroll Quartile I clubs.

Four clubs, all members in each year of payroll Quartile I, have appeared in the LCS multiple times during the past five years, as shown by the following table.

Table 13: LCS Appearances by Clubs, 1995-1999

NL		AL	
Atlanta	5	NY Yankees	3
Cincinnati	1	Cleveland	3
Florida	1	Baltimore	2
NY Mets	1	Boston	1
San Diego	1	Seattle	1
St. Louis	1		

III.7.3. World Series

The World Series winner for the past five years has been from payroll Quartile I; further, the winner has been among the top five payroll clubs each year during this period.[24] The loser has also been from payroll Quartile I each year, except for 1998, when payroll Quartile II was represented.[25] World Series appearances by payroll quartile are shown in the following table:

Table 14: World Series Appearances by Payroll Quartile

World Series	1995	1996	1997	1998	1999
Winner from Quartile	I	I	I	I	I
Loser from Quartile	I	I	I	II	I

[24] Atlanta and Florida won the World Series in 1995 and 1997, respectively, and were ranked 4th and 5th, respectively, in payroll among all clubs in those years. In 1996 and 1999, the New York Yankees won the World Series and had the highest payroll in MLB. In 1998, the New York Yankees won the World Series with the 2nd highest payroll in MLB.

[25] In 1998, San Diego, ranked 10th in team payroll, was defeated in four straight games by the New York Yankees.

III.8. Club Profitability, Club Debt and Franchise Values

Some argue that issues such as a lack of club profitability, high club debt and franchise values that have lagged behind other professional sports provide an independent basis for reform of the economics of MLB. While these issues are analyzed in Appendix I, our recommendations are not based on our analysis of these topics.

III.9. Conclusions Regarding Competitive Balance

The data presented and analyzed in this report suggest the following conclusions:

a. The amount of a club's revenue is a key factor in determining the amount of that club's payroll.

b. Clubs with higher payrolls tend to win more games than those with lower payrolls.

c. The size of a club's payroll is the most important factor in determining how competitive the club will be.

d. No club outside payroll Quartiles I and II is likely to appear in the postseason.

While most fans do not demand or expect that their team will reach postseason play each year, some have ample reason to believe that the club they root for will remain chronically uncompetitive. Because revenue Quartile III and IV clubs have not been winners and have barely been participants in the postseason for the past five years, many fans have come to believe that it is unlikely these clubs will reverse that fate in the next few years. The presence in the game of clubs, perhaps a majority, that are chronically uncompetitive, alongside clubs that routinely dominate the postseason, undermines the public's interest and confidence in the sport.

IV. Remedies for Competitive Imbalance

The objective of competitive balance in baseball should be taken to mean a reasonable ***opportunity*** for all clubs, not equal ***outcome***. Clubs should expect to be rewarded for good management, on and off the field, as well as by periodic good fortune.

The internal market arrangements for professional baseball, as in all professional sports, are cooperative arrangements necessary for the maintenance of on-the-field competitiveness between teams representing unequal markets.

Baseball's economic system has never been, is not, and should not be, a wholly unregulated market. Baseball, like all professional sports, has recognized that the drive for unbridled competition on the field must be harnessed or tempered by regulations designed to ensure fairness and the inherent need for cooperation among clubs with unequal economic resources to preserve the "league" as an institution. All professional sports regulate issues such as roster size, late season trades, and access to new talent (via a draft) in ways that would not be tolerated in an unregulated environment.

Whatever their other differences, both owners and players have supported market regulations as a necessary component of MLB's economic landscape. Owners, even those who have suffered significant economic losses, have agreed to limits on franchise relocation because they recognize that teams are a civic asset and too many franchises in the most fertile markets would be bad for fans and the game. Players have recognized that unlimited free agency is unacceptable because too much player movement could destroy the fabric of the game.

Even the courts and Congress have recognized the unique economic structure of Baseball by creating and upholding MLB's long-time exemption from the antitrust laws. The exemption is founded on the notion that it is in the public's interest to have MLB as a national enterprise with orderly operations and a reasonable degree of cooperation among the clubs, even if that cooperation is not strictly in compliance with the pro-competitive policies that underlie the antitrust laws.

IV.1. Enhanced Revenue Sharing

The limited revenue sharing introduced in recent years has failed to promote adequate competitive balance, although it has enabled a handful of low payroll clubs that are not competitive on the field to become profitable. The modest amount of shared revenue during the past few years needs to be increased substantially. This would have the effect of paying the visiting teams for their indispensable role in producing a marketable event. ***MLB teams should share at least 40 percent, and perhaps as much as 50 percent, of all local revenues, after local ballpark expenses are deducted, under what is known as a straight pool plan.*** By expanding revenue sharing, MLB will recognize, as do other successful sports leagues, the indispensable contribution that visiting teams make.

The current Basic Agreement sets forth two basic revenue sharing plans: 1) the straight pool plan which was utilized by at least some segments of the industry during the 1996 and 1997 seasons, and 2) the split pool plan under which the industry currently operates. Under the straight pool plan, each club contributes 39 percent of its net local revenue to a pool that is then redistributed equally to all clubs. Under the split pool plan, each club contributes 20 percent of its net local revenue to a pool. The pool is then subdivided into two parts: 1) 75 percent of the pool is redistributed equally to all clubs, and 2) 25 percent is redistributed only to those clubs below the industry's average local revenue. The split pool plan creates anomalous results in the sense that some middle market clubs face a higher marginal tax rate than the highest revenue clubs.

Because this inequity tends to exacerbate the competitive problems facing the game, MLB should move to a straight pool revenue sharing format with at least a 40 percent rate and perhaps as much as a 50 percent rate. The current split pool plan should be discarded.

In order to discourage clubs from using revenue sharing to become profitable without making a proper effort to become competitive on the field, it is imperative that enhanced revenue sharing be coupled with an appropriate minimum club payroll, as described below. This would give clubs the incentive to spend an appropriate amount of the revenue they receive from enhanced revenue sharing to increase their player payroll to competitive levels.

IV.2. Enhanced Competitive Balance Tax and Minimum Club Payroll

MLB should levy a 50 percent enhanced "competitive balance tax" on club payrolls that are above $84 million, which is approximately the 1999 threshold in the 1996 Basic Agreement luxury tax. MLB also should adopt measures to encourage all clubs to have a minimum club payroll of at least $40 million. These payroll figures are based on the luxury tax definitions used in the 1996 Basic Agreement. These payroll figures are higher than the 25-man roster payrolls used earlier in this document because they include more players (40 rather than 25) and include player benefits. They are the appropriate figures for calculating the competitive balance tax because they cover each club's full Major League roster.

The competitive balance tax is an extension of the previous luxury tax that was implemented in 1997 and that failed to moderate the rapid escalation of club payrolls. It is generally agreed that the luxury tax fell short of its intended goal because the tax threshold (which was calculated as the mid-point between the fifth and six highest payroll clubs) was allowed to adjust upward in response to club behavior. The flaw in the "floating threshold" was obvious: the more the high payroll clubs spent on players, the higher the tax threshold and the less restraint on payroll escalation.

In order to correct this problem, MLB should adopt a fixed tax threshold of $84 million, approximately the tax threshold that was applicable for the 1999 season. That fixed threshold should remain in place for a period of years until a more reasonable ratio (approximately 2:1) between the average of payroll Quartile I and the average of payroll Quartile IV can be reestablished.

A criticism of the 1996 Basic Agreement was that, while revenue sharing and the luxury tax extracted funds from certain high-revenue clubs, there was no matching requirement that clubs receiving these funds actually spend more money on their player payroll. In order to address this concern, MLB should encourage all clubs to maintain a payroll of at least $40 million. The mechanism for enforcing this minimum club payroll will be described in more detail in the following section.

The precise economic effect of the competitive balance tax and the minimum club payroll is impossible to predict with certainty. It seems undeniable that at least three dynamics would be at work. First, the tax should tend to limit payroll increases by the highest payroll clubs. Second, the lowest payroll clubs would face intense pressure to at least reach the minimum. Third, clubs in the middle would be tempted to increase payroll because they would have a greater chance to compete with the high-payroll clubs. These offsetting dynamics could well result in redistribution of, but no aggregate decrease in, the dollars devoted to player compensation.

IV.3. Unequal Distribution of Central Fund Revenues

MLB should use unequal distribution of new Central Fund revenues to improve competitive balance by creating a "Commissioner's Pool" that is allocated to assist low-revenue clubs in improving their competitiveness and in meeting the minimum club payroll obligation of $40 million.

In January 2000, MLB granted the Commissioner new powers to distribute new Central Fund revenues in unequal amounts. The Commissioner's exercise of this power should be focused on "incremental" Central Fund revenues beyond the $13 million per club distributed in 1999. The Commissioner should distribute new Central Fund revenues in a way that addresses the core problem of competitive balance: widely disparate local revenues.

Specifically, given the current level of local revenue disparity, the $40 million minimum payroll referenced above would force a number of clubs into significant and persistent unprofitably. The Commissioner should use the mechanism of disproportionate allocation to address this problem, to encourage revenue enhancing activities such as investments in new ballparks and to reward low-revenue clubs for developing young talent. The Commissioner should enforce the minimum club payroll by declaring any club below the $40 million minimum ineligible for an enhanced distribution.

IV.4. Competitive Balance Draft

The four previous recommendations will tend to promote competitive balance within the current twenty-five-man roster. This recommendation addresses the problem of high revenue clubs stockpiling talent in their farm systems. ***MLB should conduct an annual draft of players not on a 40-man roster, which is designed to improve the least competitive clubs from the prior year.***

Specifically, prior to the first round of the annual Rule 5 draft, each of the clubs with the worst eight records should be allowed to draft one player from one of the eight organizations that qualified for the post-season in the preceding year. The draft would be conducted under the same rules applicable to the Rule 5 draft except that there would be no requirement that players selected remain on the Major League roster for any period of time.

IV.5. Rule 4 Draft Reforms

The Rule 4 draft, originally designed in the early 1960s to distribute the best new talent to poorly performing clubs, has evolved into an inefficient mechanism with perverse effects. It has allowed high-revenue clubs to obtain a significant advantage in the acquisition of first-year players. The following recommendations would help the draft fulfill its original purpose: to enhance competitive balance.

IV.5.1. Include International Players

Currently, forty percent of all players signing first-year contracts are excluded from the draft because they do not reside in the United States, Puerto Rico or Canada. With the recent dramatic escalation of signing bonuses to free agent first-year players from the Far East, the Dominican Republic, Venezuela, Cuba and Australia, high revenue clubs now sign the majority of talented high-profile foreign players. ***The implementation of a worldwide draft would ensure all clubs, regardless of revenue, relatively equal access to the crucial foreign player market.***

IV.5.2. Eliminate Compensation Picks

Competitive balance is harmed when teams receive supplementary draft picks as compensation for losing major league players to free agency. Increasingly, high-revenue clubs—those able to trade for a high-salaried player on the verge of free agency—are receiving more than their proportionate share of the supplementary picks. The supplementary picks harm low-revenue clubs by artificially changing the draft order of the first 100 selections and devaluing subsequent selections. ***The elimination of compensatory picks would preclude multi-pick windfalls by high-revenue clubs and would benefit low-revenue clubs by restoring a true draft order based on performance.***

IV.5.3. Alter Eligibility Standards

Low-revenue clubs often pass on the opportunity to draft the best available player because of concerns about the player's demand for a high signing bonus. The "unsignable" players are then selected later in the draft by high-revenue clubs, which reward the players with sizeable bonuses. This phenomenon is partly attributable to the perceived leverage of unsigned amateur players, many of whom can be selected in the draft up to four times during their collegiate years.

By changing the eligibility standards for the draft, the leverage of these amateur players would be reduced and fewer would be perceived as "unsignable." One option is to allow entry into the draft only upon completion of high school, two years of junior college, and four years of college. Another option—one that need not wait for a new collective bargaining agreement—involves encouraging the NCAA to adopt the same draft eligibility rule it employs for football and basketball. ***Under such a rule, amateur players forfeit all future collegiate eligibility by declaring themselves eligible for the draft. The adoption of this rule, which is additionally justified as an incentive to education by the NCAA, would alter the leverage of amateur players and allow lower revenue clubs to draft and sign the best available players.***

IV.5.4. Implement Disproportionate Allocation of Picks

The impact of a high first-round draft position in baseball is not as dramatic as in other sports because of the nature of baseball scouting and player development. ***To provide chronically uncompetitive clubs with a more significant opportunity to acquire the best new talent, clubs that finish in the playoffs in a given year should not be allowed to draft until the second round of the Rule 4 draft the following year.***

IV.5.5. Allow Trading of Draft Picks

Low-revenue clubs that make economical draft picks rather than select the best available players do not benefit from their high draft position. ***If clubs were allowed to trade draft picks, low-revenue clubs could receive fair market value for their draft position in the form of major league players, prospects or multiple picks in later rounds.*** Additionally, should bottom finishing clubs receive multiple first-round selections, the ability to trade draft picks would help alleviate the financial burden of signing several high picks with limited resources.

IV.6. Franchise Relocation

Franchise relocation should be an available tool to address the competitive issues facing the game. Clubs that have little likelihood of securing a new ballpark or undertaking other revenue enhancing activities should have the option to relocate if better markets can be identified.

Many observers of MLB believe that the root of the competitive balance problem is the fact that clubs located in smaller or less fertile markets are unable to generate sufficient revenues to support the level of payroll necessary to be competitive on the field. The inability of a club to generate sufficient revenue in a particular market may be related to a lack of population, poor demographic composition, a lack of sufficient corporate presence and/or the proximity of other clubs.

One obvious solution to the problem presented by such clubs would be to identify more viable markets and to allow the clubs to relocate. The relocation of a club to a more attractive market would present the club with the opportunity to generate more revenue which, in turn, reasonably could be expected to have the following collateral effects:

a. The club would be more financially capable to compete with high-revenue clubs in terms of on-field performance;

b. To the extent that MLB's product is the on-field competition, the product would be improved;

c. MLB as an industry would be operating in a better portfolio of markets and would generate more revenue; and

d. The industry's revenue sharing plan would be improved in the sense that a greater portion of the available revenue sharing plan dollars could be redistributed to remaining low-revenue clubs and/or the overall burden on payor clubs could be eased to some extent.

If the relocation were to a very large market already occupied by one or more high-revenue clubs, the relocation could serve to reduce the revenue disparity in the industry by increasing the revenue of the relocated club without necessarily reducing the revenue of the incumbent club(s). Adding a club to a large market could increase the revenue of the existing club or clubs through enhanced rivalries.

IV.7. Contraction

Recently, there has been some speculation about MLB's possible need to contract by two or more franchises. The argument for contraction has two main components. First, some suggest that the industry, from a competitive perspective, would be better off by eliminating its weakest two franchises. Second, some believe that the purchase price that would have to be paid for the reacquisition of a financially distressed club or clubs would be less costly than the value of all future, shared industry revenues that would otherwise be payable to the reacquired club or clubs. ***If the recommendations outlined in this report are implemented, there should be no immediate need for contraction.***

IV.8. Game Development—Domestic and International

One of the greatest challenges facing MLB is the continuing development of the game. The development of the game has two distinct components. First, game development is necessary to ensure an adequate talent base so that the thirty clubs can continue to provide the highest quality entertainment product. In recent decades, baseball's development of talent has suffered as a result of fierce competition from traditional rivals such as basketball and football, as well as fast-growing sports such as soccer. The second aspect of development relates to ensuring the game's continued popularity among fans. Compared to other major sports, MLB's fan base tends to be older and less affluent. In order to ensure continued economic growth, Baseball must implement aggressive marketing initiatives to increase its popularity, particularly among younger fans, women and minorities.

Both aspects of game development can be addressed through grassroots programs aimed at youth participation. The more children who play baseball, the deeper and broader will be the talent pool available to MLB. Moreover, youths who participate in the game are much more likely to turn into lifelong fans of MLB.

MLB itself, and in conjunction with the MLBPA, has recently undertaken significant programs aimed at grassroots development. MLB has announced a program of inner city "academies" designed to encourage youth participation in the game and provide the type of quality coaching that is necessary for talent development. MLB has also joined with the MLBPA to create a $10 million fund known as the Baseball Tomorrow Fund. The purpose of the Baseball Tomorrow Fund is to make grants to programs designed to increase youth participation in baseball and softball. These types of efforts are to be applauded and should be expanded in the future.

A special word about international development is also in order. Baseball, unlike football or basketball, is played throughout the Western Hemisphere and around the world at a very high level. More than 40 percent of the players under contract to Major and Minor League clubs were born outside the United States. Because baseball is played at a very high level in other countries, the opportunity for international events in baseball is tremendous. Moreover, because international revenues are currently funneled through MLB's Central Fund, such revenues are equally shared by all clubs. Increases in revenues from international events should serve to moderate the level of revenue disparity in the industry.

IV.9. Summary of Recommendations

a. MLB should share at least 40 percent and perhaps as much as 50 percent of all local revenues, after local ballpark expenses are deducted, under a straight pool plan;

b. MLB should levy a 50 percent competitive balance tax on club payrolls that are above $84 million;

c. MLB should use unequal distribution of new Central Fund revenue to improve competitive balance, creating a "Commissioner's Pool" that is allocated to assist low-revenue clubs in meeting a minimum club payroll of $40 million;

d. MLB should conduct an annual competitive balance draft of players;

e. MLB should reform the Rule 4 draft process; and

f. MLB should utilize strategic franchise relocations when necessary to address the competitive issues facing the game.

g. MLB should expand its initiatives to develop and promote the game domestically and internationally.

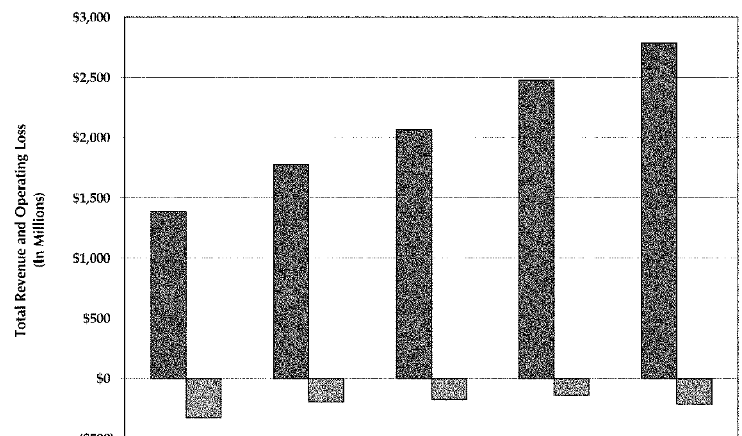
V. Appendix I

In addition to the analysis of competitive balance which forms the basis of our recommendations, we also considered important issues related to the financial condition of the individual clubs.

V.1. Club Profitability

The annual revenue and operating income of all clubs within MLB are shown below. Industry revenue has grown impressively in the past five years. Operating income, however, has been another story.

Chart 14: MLB Total Revenue and Operating Loss, 1995-1999



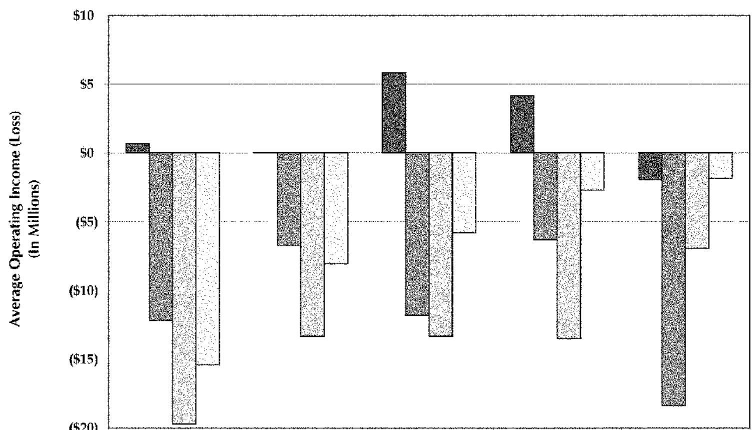
	1995	1996	1997	1998	1999
Revenue	$1,385	$1,775	$2,067	$2,479	$2,787
Operating Losses	($326)	($197)	($176)	($138)	($212)

While revenue growth has been steady, operating losses improved only slightly from those sustained in 1995, and remain large. Total MLB losses for the past five years exceed $1 billion.[26]

[26] For a list of profitability by club, see Table 30: Total Operating Income (Loss) by Club, 1995-1999, on page 84.

The following chart illustrates the distribution of profits and losses by revenue quartile for the period 1995-1999.

Chart 15: Average Operating Income (Loss) by Revenue Quartile, 1995-1999[27]



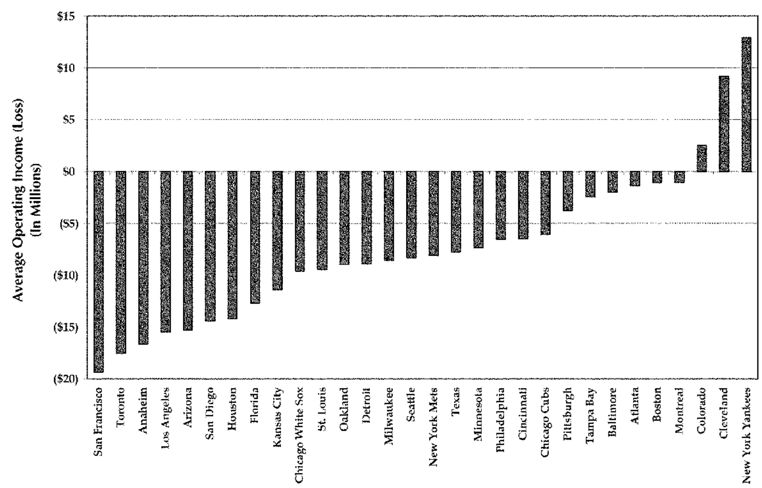
	1995	1996	1997	1998	1999
Quartile I	$1	$0	$6	$4	($2)
Quartile II	($12)	($7)	($12)	($6)	($18)
Quartile III	($20)	($13)	($13)	($13)	($7)
Quartile IV	($15)	($8)	($6)	($3)	($2)

For 1995 through 1999, revenue Quartile IV sustained substantial, but diminising, annual losses, as payroll costs for that quartile did not escalate nearly as fast as those in the other quartiles. By 1999, Quartile IV nearly broke even, as payroll costs for that quartile did not escalate nearly as fast as those in the other quartiles. Only Quartile I managed to have several profitable years, although the trend of the last three years for this quartile is one of a quick decline from profitability to loss.

[27] Operating income *excludes* significant cost items such as interest and other non-cash charges such as amortization of the initial cost of a Major League roster.

The profitability of each of the 30 clubs over the past five years is shown in the chart below.

Chart 16: Average Annual Operating Income for All Clubs, 1995-1999



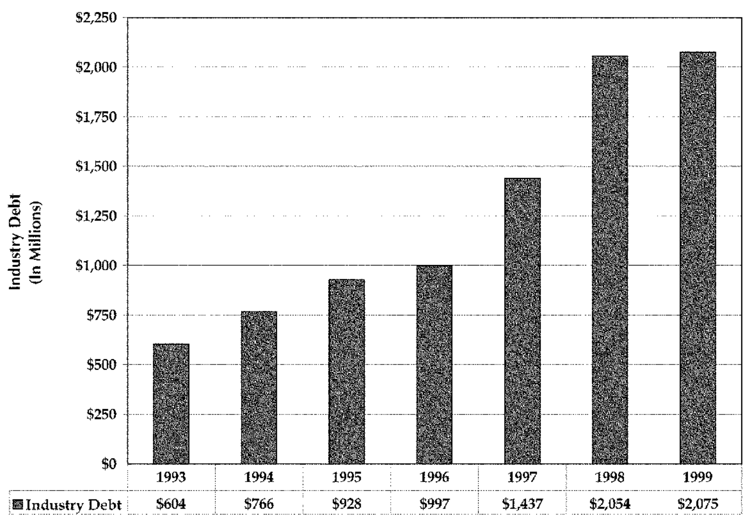
This chart shows that only three clubs, or 10 percent of the industry, have managed to be profitable over the five-year period, while most clubs have sustained large losses.

The worst performing five clubs have total losses for the five-year period of between $72 million and $97 million each, while the top two clubs each reported income close to $50 million. In any event, the few financial winners are overshadowed by the vast majority of financial losers. The cumulative losses of unprofitable clubs substantially exceed the cumulative profits of the small number of profitable clubs.

V.2. Club Debt

Total industry debt (which includes long-term debt, notes payable and revolving credit) has risen 243 percent from 1993 through 1999, the last year for which information was available. The average club debt in 1999 was approximately $69 million, and undoubtedly will continue to rise. Corporate debt has to be serviced, and will exert pressure on club economics. Many clubs have reached dangerous levels of debt.

Chart 17: Industry Debt, 1993-1999



V.3. Franchise Values

The following table summarizes certain franchise sales which occurred subsequent to the issuance of the 1992 Joint Economic Study Committee Report. The table shows the purchase and sale dates, as well as the accumulated profits and losses incurred during operations, and the resulting financial return to ownership.

Table 15: Return to Ownership Upon Sale, 1992-2000

Rank	Club	Year of Purchase	Year of Sale	Cumulative Operating Profit and (Losses)	Rate of Return[28]
1	Kansas City	1991	2000	$(105,400)	(9.4%)
2	Oakland	1980	1999	(131,402)	(4.2%)
2	San Diego	1990	1994	(21,821)	(4.2%)
4	Pittsburgh	1985	1996	(76,128)	(3.4%)
5	Florida	1992	1999	(70,484)	(1.0%)
6	Montreal	1991	1999	(14,592)	3.5%
7	Detroit	1983	1992	23,379	5.1%
8	Seattle	1989	1992	(6,623)	5.7%
9	Houston	1984	1992	(23,159)	7.4%
10	Cleveland	1986	2000	37,798	18.1%
11	Texas	1989	1995	3,877	20.8%
12	Cincinnati	1985	1999	6,222	25.0%
13	Baltimore	1989	1993	80,621	39.2%
Note: All dollar figures are in thousands.					

Five of the franchises sold for absolute losses. Three of the franchises generated a modest return for ownership, while the remaining five franchises sold for a substantial premium over the purchase price.

[28] The rate of return calculations consider purchase and sale prices (which include assumed debt), and operating profits and losses during the holding period. This methodology is consistent with the Joint Economic Study Committee Report prepared in 1992. Certain transactions have been excluded because historical data was not available to perform a complete analysis.

It should be noted that four of the five most successful sales were achieved by franchises that were able to operate profitably over a period of years, while the unsuccessful sales were made by franchises that were unprofitable during the same period. Whatever the case has been historically, today it is by no means assured that franchise appreciation will make an owner whole for operating losses suffered during the period of ownership.

VI. Appendix II

VI.1. Blue Ribbon Panel Mission Statement

For many years fans, commentators and columnists have expressed concern about the issue of competitive balance in MLB. In some of Baseball's lower revenue markets, the expressions of concern have been increasingly urgent. At least as of the early 1990s, however, the quantitative evidence did not support the notion that MLB in the era of free agency suffered from a lack of competitive balance or that the level of competitive balance had deteriorated from earlier eras.

In the mid-1990s, some began to note a change in terms of MLB's competitive results. Payroll disparity increased significantly and many clubs became unable to support high-end payrolls without large operating losses. The highest payroll clubs seemed to become even more dominant on the field and clubs below a certain payroll level appeared to have little or no chance of winning. This phenomenon has been the cause of angst among fans in at least some markets and has been well documented in the popular press.

The Commissioner's Blue Ribbon Panel on Baseball Economics (the "Blue Ribbon Panel") was appointed to examine the question of whether Baseball's current economic system has created a problem of competitive imbalance in the game. As a first step, the Blue Ribbon Panel must determine whether the level of competitive balance since the report of the Joint Economic Study Committee in 1992 is markedly different than that observed during earlier periods. If so, the Blue Ribbon Panel will attempt to decide: (1) whether the change in the level of competitive balance is due to structural characteristics of Baseball's economic system or due to other, less permanent forces which are likely to change over time; and (2) whether a lack of competitive balance has an adverse impact on the ability of clubs to grow the game, secure new facilities and produce operating stability. If the Blue Ribbon Panel concludes that the competitive balance problem is related to the structural characteristics of Baseball's economic system and poses a threat to the game, the Blue Ribbon Panel will explain its analysis and will recommend changes, if appropriate, to the 30 Major League clubs designed to alter such characteristics.

In undertaking the inquiry described in the preceding paragraph, the Blue Ribbon Panel will consider all available economic data, indicators and variables, including those related to club profitability and franchise values. The Blue Ribbon Panel's focus, however, will be to determine the competitive state of the game and to recommend solutions designated to address any identifiable problem.

Finally, the Blue Ribbon Panel hopes to solicit input and information from many interested groups, including the Major League Baseball Players Association ("MLBPA"). Out of deference to the MLBPA's collective bargaining rights, however, the Blue Ribbon Panel's report will take the form of a recommendation to ownership.

VI.2. Members of The Commissioner's Blue Ribbon Panel on Baseball Economics

The Blue Ribbon Panel

	Club Representatives	
Independent Members	**Name**	**Club**
Richard C. Levin	Bill DeWitt	St. Louis
Senator George J. Mitchell	John Harrington	Boston
Paul A. Volcker	Dick Jacobs	Cleveland
George F. Will	Sandy Litvak	Anaheim
	Tony Tavares	Anaheim
	Larry Lucchino	San Diego
	Andy MacPhail	Chicago Cubs
	Kevin McClatchy	Pittsburgh
	Jerry McMorris	Colorado
	Dave Montgomery	Philadelphia
	Vince Namoli	Tampa Bay
	Tom Schieffer[29]	Texas

[29] Replaced by Tom Hicks during the deliberations of the Blue Ribbon Panel.

VI.3. Biographies of Independent Members

Richard C. Levin

Richard C. Levin is the Frederick William Beinecke Professor of Economics at Yale and since 1993 has served as the twenty-second president of the University.

Mr. Levin was born in San Francisco, California in 1947. He graduated from Lowell High School in San Francisco, received his bachelor's degree in history from Stanford University in 1968, and studied politics and philosophy at Oxford University, where he earned a B. Litt. degree. In 1974, he received his Ph.D. in economics from Yale and that same year he was named to the Yale Faculty. He holds honorary degrees from Princeton, Harvard and Oxford Universities.

A specialist in the economics of technological change, Mr. Levin has written extensively on such diverse subjects as the patent system, industrial research and development, and the effects of antitrust and public regulation on private industry. In the mid-1980s he directed a major effort to gather evidence on the incentives for 130 manufacturing industries' investments in research and development. He is currently directing a National Academy of Sciences study of the economic impact of recent developments in patent law.

As president, Mr. Levin has invested over $1.2 billion in the renovation of Yale's historic campus, announced a $1 billion initiative to strengthen the University's science and engineering programs, and designed innovative partnerships to advance economic development, home ownership, and public education in New Haven.

George J. Mitchell

Senator George J. Mitchell was appointed to the United States Senate in 1980 to complete the unexpired term of Senator Edmund S. Muskie, who resigned to become Secretary of State. Mitchell was elected to a full term in the Senate in 1982 and was re-elected in 1988 with 81 percent of the vote, the largest margin in Maine history. Senator Mitchell served in the Senate for 14 years, including six as the Senate Majority Leader.

Senator Mitchell received his undergraduate degree from Bowdoin College in 1954, and then served in Berlin Germany as an officer in the United States Army until 1956. He received an LL.B degree from Georgetown University Law Center in 1960. From 1960 to 1962, he was a trial lawyer in the Justice Department in Washington, D.C. From 1962 to 1965, he served as Executive Assistant to Senator Muskie.

In 1965, Senator Mitchell returned to Maine where he engaged in the private practice of law until 1977. He was then appointed United States Attorney for Maine, a position he held until 1979, when he was appointed United States District Judge for Maine. He resigned that position in 1980 to accept appointment to the United States Senate.

Upon leaving the Senate, Senator Mitchell joined the Washington, D.C. law firm of Verner, Liipfert, Bernhard, McPherson and Hand. He serves as a director of The Walt Disney Company, FedEx Corporation, Xerox Corporation, UNUMProvident Corporation, Casella Waste Systems, Inc., Unilever, Staples, Inc., and Starwood Hotels and Resorts.

Senator Mitchell serves as the Chancellor of the Queens University of Northern Ireland and as the President of the Economic Club of Washington. He served as Chairman of the Special Commission investigating allegations of impropriety in the bidding process for the Olympic games; as Chairman of the International Crisis Group, a nonprofit organization dedicated to the prevention of crises in international affairs; and as Chairman of the National Health Care Commission.

Recently Senator Mitchell served as Chairman of the peace negotiations in Northern Ireland. Under his leadership an historic accord, ending decades of conflict, was agreed to by the Governments of Ireland and the United Kingdom and the political parties of Northern Ireland. In May 1998, the Agreement was overwhelmingly endorsed by the voters of Ireland, North and South, in a referendum.

Paul A. Volcker

Paul A. Volcker was born in 1927 in Cape May, New Jersey. He graduated from Princeton University in 1949, and in 1951 he received an M.A. in political economy and government from the Harvard University Graduate School of Public Administration. He also attended the London School of Economics as a post-graduate student in 1951-52 and has received honorary degrees from a number of universities, including his three Alma Maters, Princeton, Harvard and London University.

In the course of his career, Mr. Volcker worked in the Federal Government for almost 30 years, culminating in two terms as Chairman of the Board of Governors of the Federal Reserve System from 1979 to 1987. Earlier, he served as Under Secretary of The Treasury for Monetary Affairs and as President of the Federal Reserve Bank of New York.

Mr. Volcker retired as Chairman and CEO of Wolfensohn & Co., Inc., upon the merger of that firm in 1996 with the Bankers Trust Company. He is currently serving as chairman, director of, or consultant to, a number of corporations and non-profit organizations.

Mr. Volcker lives in New York City and has a son, a daughter and four grandchildren.

George F. Will

Born in Champaign, Illinois, in 1941, George F. Will was educated at Trinity College in Hartford, Connecticut, Oxford University and Princeton University, from which he received his Ph.D. in 1968. After teaching political philosophy at Michigan State University and the University of Toronto, he worked on the staff of the United States Senate from 1970 through 1972. From 1973 through 1975 he was Washington editor of National Review. In 1973, he began a syndicated column that now appears in approximately 480 newspapers. Since 1976, he has been a contributing editor of Newsweek, for which he writes a biweekly column. He received the Pulitzer Prize for commentary in 1977. A recipient of honorary degrees from over a dozen colleges and universities, of the William Allen White Award from the University of Kansas and the Madison Medal from Princeton, he has twice taught political philosophy at Harvard. He is a member of the board of directors of the Baltimore Orioles and the San Diego Padres.

VII. Appendix III

VII.1. Definitions

Local Revenue consists of gate receipts, television, radio and cable fees, ballpark concessions, advertising and publications, parking, suite rentals, postseason, spring training and other baseball revenues. Per Annual Ernst & Young Combined Summary of Operations and Other Financial Information.

Central Fund revenue is the money distributed to clubs from national licensing fees. Per Annual Ernst & Young Combined Summary of Operations and Other Financial Information.

Revenue sharing is accounted for as follows:

1996: Transfer payments/(receipts) as defined in the Basic Agreement: Hybrid Plan implemented on a 60 percent basis among 26 participant clubs. Per Ernst & Young 1996 draft Audited Financial Information Questionnaire ("FIQ").

1997: Transfer payments/(receipts) as defined in the Basic Agreement: Hybrid Plan implemented on a 60 percent basis among 26 participant clubs. Per Ernst & Young 1997 draft Audited FIQ.

1998: Transfer payments/(receipts) as defined in the Basic Agreement: Split Pool Plan implemented on an 80 percent basis among 28 participant clubs and $18 million in Supplemental Pool Payments. Per Final 1998 Pre-Audit FIQ.

1999: Transfer payments/(receipts) as defined in the Basic Agreement: Split Pool Plan implemented on an 85 percent basis among 28 participant clubs and $18 million in Supplemental Pool Payments. Per June 15, 2000 Revenue Sharing Report of 1999 Revenue Sharing distributions.

Payroll is calculated from the active 25-man roster (including players on the disabled list) as of August 31 and termination pay where applicable. The MLB Labor Relations Department defines the 25-man roster payrolls to include guaranteed base salary, earned incentives and a pro-rated allocation of signing bonuses. MLB also uses a "luxury tax" payroll calculation that includes the pro-rated average annual value of multi-year player contracts, burdened by a pro rata share of the industry's cost of fringe benefits, including health insurance and the contribution to the player pension plan and other types of benefits. "Luxury tax" payroll numbers were used in the luxury tax recommendations. 25-man roster payroll numbers are used elsewhere in this document.

VII.2. 1995 Season Detailed Data

Table 16: 1995 Games Won and Lost

	1995 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,091	401	257	186	148	104	72	44	23	22	19	2	0
Games Lost	956	264	169	132	105	76	51	29	15	13	10	2	0
Total Games	2,047	665	426	318	253	180	123	73	38	35	29	4	0
% Won	53%	60%	60%	58%	58%	58%	59%	60%	61%	63%	66%	50%	0%

	1995 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	956	299	200	140	104	75	49	35	20	16	14	1	0
Games Lost	1,091	360	235	184	143	101	73	37	19	17	14	2	0
Total Games	2,047	659	435	324	247	176	122	72	39	33	28	3	0
% Won	47%	45%	46%	43%	42%	43%	40%	49%	51%	48%	50%	33%	0%

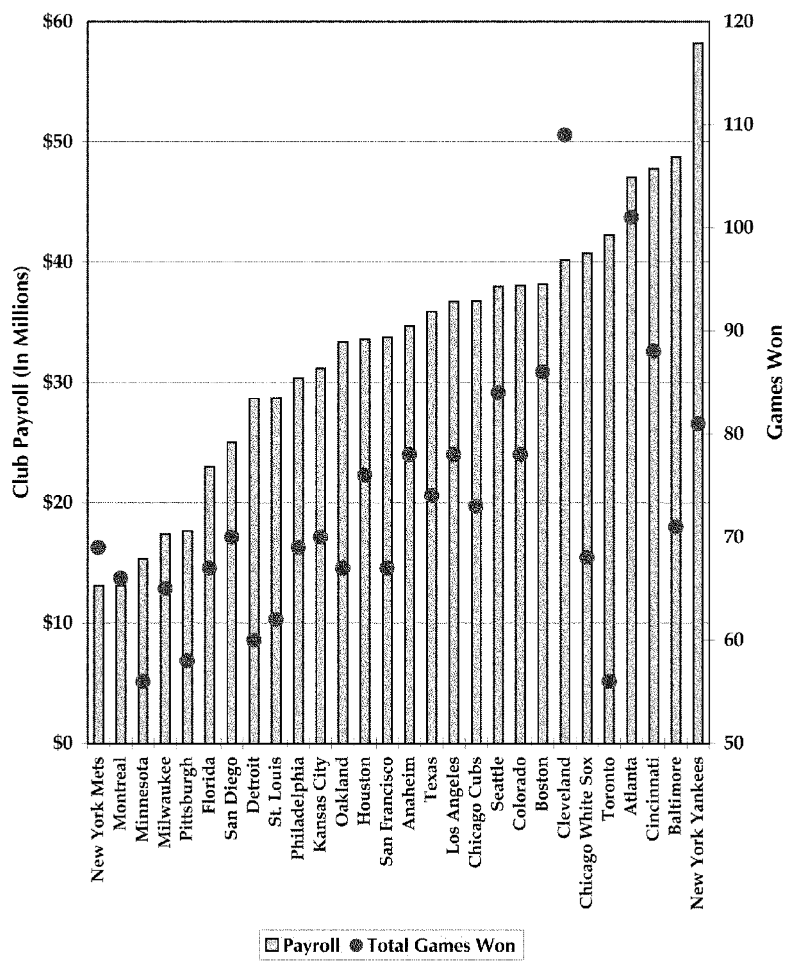
	1995 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,047	700	457	326	252	179	121	79	43	38	33	3	0
Games Lost	2,047	624	404	316	248	177	124	66	34	30	24	4	0
Total Games	2,047	1,324	861	642	500	356	245	145	77	68	57	7	0
% Won	N/A	53%	53%	51%	50%	50%	49%	54%	56%	56%	58%	43%	0%
% of Games Played	N/A	65%	42%	31%	24%	17%	12%	7%	4%	3%	3%	0%	0%

Note: Payroll Advantage is expressed as a percentage of salary that one team enjoys over another. So, a 25 percent Payroll Advantage means that those home clubs (above, in 1995-1999) that had at least a 25 percent larger payroll than the visiting club won 2,459 of 4,074 (or 60 percent) of games played.

Table 17: 1995 Season Data, by Player Payroll

				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	New York Mets	$52,682,351	$13,097,944	69	75
2	Montreal	27,599,102	13,116,557	66	78
3	Minnesota	29,187,338	15,362,750	56	88
4	Milwaukee	32,873,317	17,407,384	65	79
5	Pittsburgh	24,027,014	17,665,833	58	86
6	Florida	43,897,596	22,961,781	67	76
7	San Diego	25,881,778	25,008,834	70	74
8	Detroit	35,177,374	28,663,667	60	84
9	St. Louis	39,408,320	28,679,250	62	81
10	Philadelphia	48,899,242	30,333,350	69	75
11	Kansas City	33,085,801	31,181,334	70	74
12	Oakland	35,067,213	33,372,722	67	77
13	Houston	29,393,531	33,614,668	76	68
14	San Francisco	40,429,065	33,738,683	67	77
15	Anaheim	44,105,974	34,702,577	78	67
16	Texas	57,708,198	35,888,726	74	70
17	Los Angeles	69,801,760	36,725,956	78	66
18	Chicago Cubs	54,779,670	36,797,696	73	71
19	Seattle	38,144,232	37,984,610	79	66
20	Colorado	75,071,720	38,039,871	77	67
21	Boston	67,410,359	38,157,750	86	58
22	Cleveland	73,277,276	40,180,750	100	44
23	Chicago White Sox	56,295,537	40,750,782	68	76
24	Toronto	60,366,009	42,233,500	56	88
25	Atlanta	76,142,365	47,023,444	90	54
26	Cincinnati	40,118,141	47,739,109	85	59
27	Baltimore	76,475,016	48,739,636	71	73
28	New York Yankees	97,679,801	58,165,252	79	65
	Average	$49,463,754	$33,119,086		
	Median	$44,001,785	$34,220,630		
	Total	$1,384,985,100	$927,334,416		

Chart 18: 1995 Club Payroll and Games Won[30]



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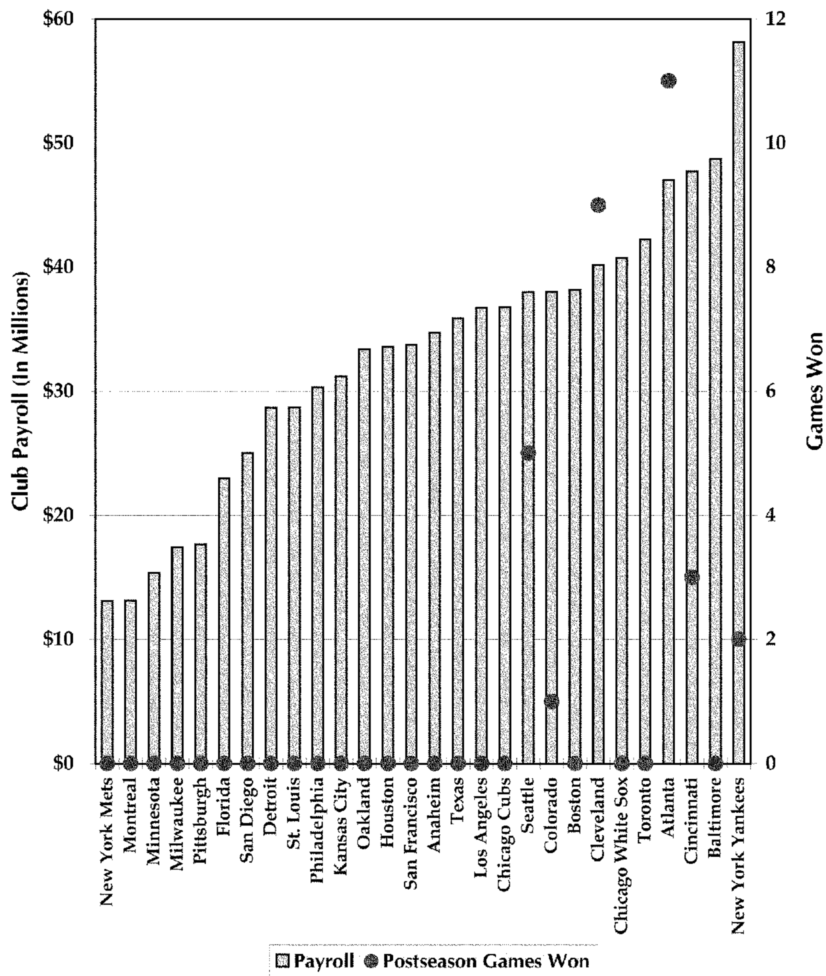
[30] Includes postseason games.

Chart 19: 1995 Club Payroll and Postseason Games Won



VII.3. 1996 Season Detailed Data

Table 18: 1996 Games Won and Lost

	1996 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,241	463	313	245	176	119	76	59	51	29	23	16	12
Games Lost	1,057	324	223	172	111	61	41	28	25	21	14	8	6
Total Games	2,298	787	536	417	287	180	117	87	76	50	37	24	18
% Won	54%	59%	58%	59%	61%	66%	65%	68%	67%	58%	62%	67%	67%

	1996 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,057	376	261	196	127	78	46	34	29	21	18	14	9
Games Lost	1,241	408	278	223	159	104	73	54	46	30	21	12	10
Total Games	2,298	784	539	419	286	182	119	88	75	51	39	26	19
% Won	46%	48%	48%	47%	44%	43%	39%	39%	39%	41%	46%	54%	47%

	1996 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,298	839	574	441	303	197	122	93	80	50	41	30	21
Games Lost	2,298	732	501	395	270	165	114	82	71	51	35	20	16
Total Games	2,298	1,571	1,075	836	573	362	236	175	151	101	76	50	37
% Won	N/A	53%	53%	53%	53%	54%	52%	53%	53%	50%	54%	60%	57%
% of Games Played	N/A	68%	47%	36%	25%	16%	10%	8%	7%	4%	3%	2%	2%

Table 19: 1996 Season Data, by Player Payroll

				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	Milwaukee	$44,961,289	$11,701,000	80	82
2	Pittsburgh	40,671,461	16,994,180	73	89
3	Montreal	39,848,051	17,264,500	88	74
4	Detroit	43,308,162	17,955,500	53	109
5	Kansas City	44,553,484	19,980,250	75	86
6	Minnesota	44,742,777	21,254,000	78	84
7	Oakland	44,488,734	22,524,093	78	84
8	New York Mets	70,468,314	24,890,167	71	91
9	Anaheim	48,998,226	25,140,142	70	91
10	Florida	51,702,589	25,311,000	80	82
11	Toronto	64,882,443	28,778,577	74	88
12	Houston	50,608,710	29,613,000	82	80
13	Philadelphia	60,377,781	30,403,458	67	95
14	Chicago Cubs	64,090,691	32,605,000	76	86
15	San Diego	48,619,541	33,376,026	91	71
16	San Francisco	55,922,123	34,646,793	68	94
17	Los Angeles	81,294,711	37,313,500	90	72
18	Boston	79,613,004	38,516,402	85	77
19	St. Louis	66,201,355	38,730,666	88	74
20	Colorado	91,957,791	41,108,990	83	79
21	Texas	76,734,346	41,330,028	90	72
22	Seattle	60,348,951	43,131,001	85	76
23	Cincinnati	46,754,916	43,696,946	81	81
24	Chicago White Sox	69,620,406	44,827,833	85	77
25	Cleveland	96,752,242	47,686,907	99	62
26	Atlanta	85,592,131	53,797,000	96	66
27	Baltimore	94,123,404	55,127,855	88	74
28	New York Yankees	107,928,741	61,511,870	92	70
	Average	$63,398,799	$33,543,453		
	Median	$60,363,366	$32,990,513		
	Total	$1,775,166,374	$939,216,684		

Chart 20: 1996 Club Payroll and Games Won

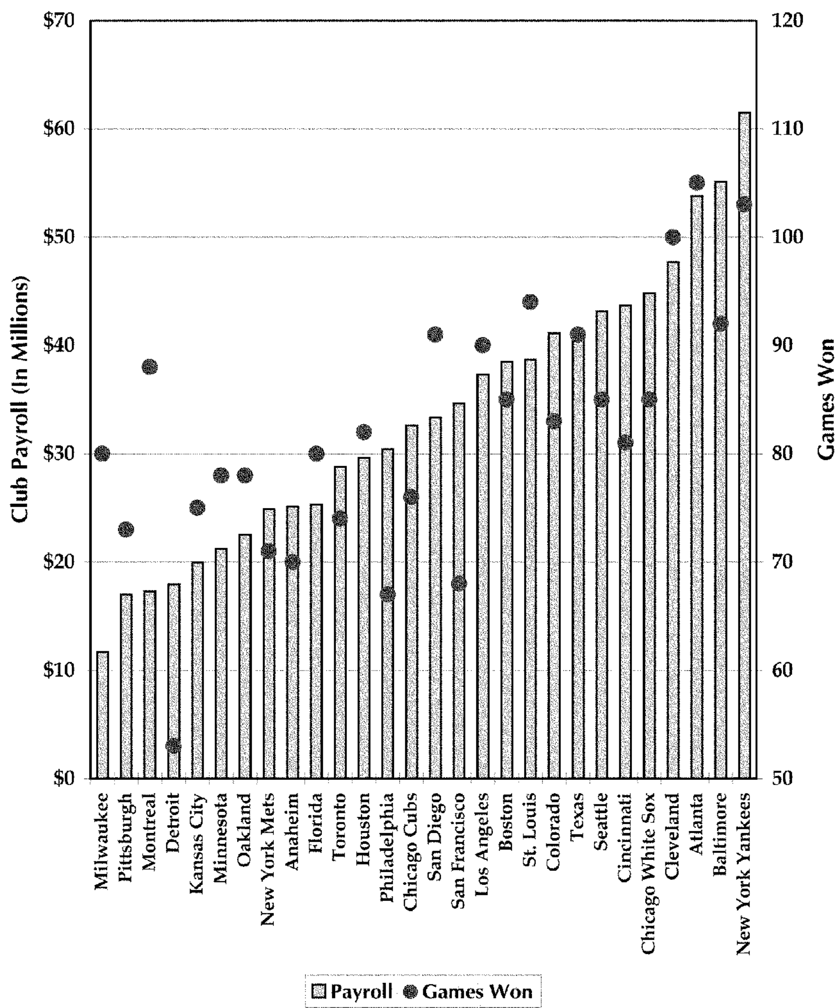
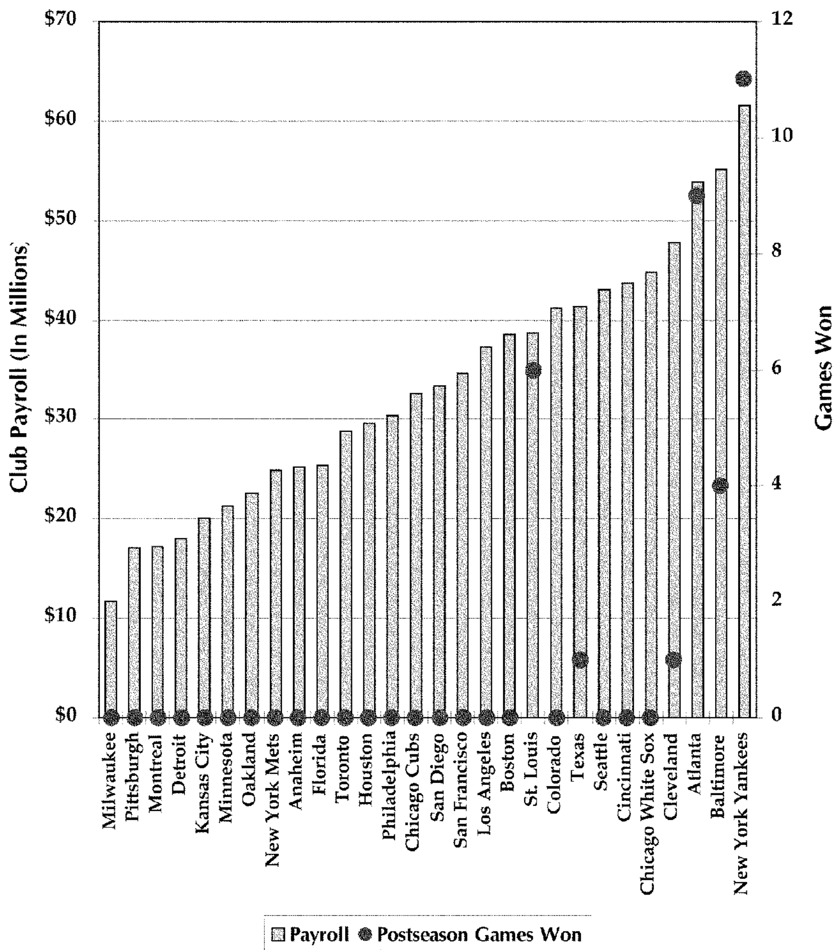


Chart 21: 1996 Club Payroll and Postseason Games Won



VII.4. 1997 Season Detailed Data

Table 20: 1997 Games Won and Lost

	1997 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,230	451	320	211	168	127	108	91	69	59	47	45	45
Games Lost	1,070	316	201	142	114	90	75	64	52	46	35	29	29
Total Games	2,300	767	521	353	282	217	183	155	121	105	82	74	74
% Won	53%	59%	61%	60%	60%	59%	59%	59%	57%	56%	57%	61%	61%

	1997 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,070	364	246	162	128	103	81	71	50	41	31	29	28
Games Lost	1,230	401	276	185	153	119	101	85	69	60	47	43	41
Total Games	2,300	765	522	347	281	222	182	156	119	101	78	72	69
% Won	47%	48%	47%	47%	46%	46%	45%	46%	42%	41%	40%	40%	41%

	1997 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,300	815	566	373	296	230	189	162	119	100	78	74	73
Games Lost	2,300	717	477	327	267	209	176	149	121	106	82	72	70
Total Games	2,300	1,532	1,043	700	563	439	365	311	240	206	160	146	143
% Won	N/A	53%	54%	53%	53%	52%	52%	52%	50%	49%	49%	51%	51%
% of Games Played	N/A	67%	45%	30%	24%	19%	16%	14%	10%	9%	7%	6%	6%

Table 21: 1997 Season Data, by Player Payroll

				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	Oakland	$52,193,984	$7,879,889	65	97
2	Pittsburgh	49,033,959	15,124,166	79	83
3	Montreal	43,594,575	18,010,500	78	84
4	Detroit	46,940,759	20,985,500	79	83
5	Milwaukee	50,419,707	26,564,840	78	83
6	Chicago Cubs	72,060,457	30,791,000	68	94
7	Philadelphia	60,869,479	31,102,439	68	94
8	Minnesota	49,520,388	32,197,500	68	94
9	San Diego	59,114,047	32,765,172	76	86
10	Kansas City	50,096,992	33,868,149	67	94
11	Houston	56,916,017	34,932,500	84	78
12	New York Mets	78,411,697	34,985,330	88	74
13	Cincinnati	53,523,351	38,206,000	76	86
14	Boston	85,228,949	40,611,351	78	84
15	Chicago White Sox	78,039,726	41,849,500	80	81
16	San Francisco	62,505,217	43,067,378	90	72
17	Texas	89,060,876	44,591,013	77	85
18	Colorado	105,262,534	46,093,301	83	79
19	Seattle	79,654,831	46,298,970	90	72
20	Anaheim	58,035,457	46,684,364	84	78
21	Los Angeles	93,859,924	48,472,321	88	74
22	Toronto	66,731,825	48,964,833	76	86
23	St. Louis	74,356,520	50,224,167	73	89
24	Florida	69,164,893	52,465,000	92	70
25	Atlanta	114,791,727	53,111,000	101	61
26	Cleveland	113,748,690	58,865,056	86	75
27	Baltimore	118,968,601	64,611,399	98	64
28	New York Yankees	135,117,314	73,389,577	96	66
	Average	$73,829,375	$39,882,579		
	Median	$67,948,359	$41,230,426		
	Total	$2,067,222,496	$1,116,712,215		

Chart 22: 1997 Club Payroll and Games Won

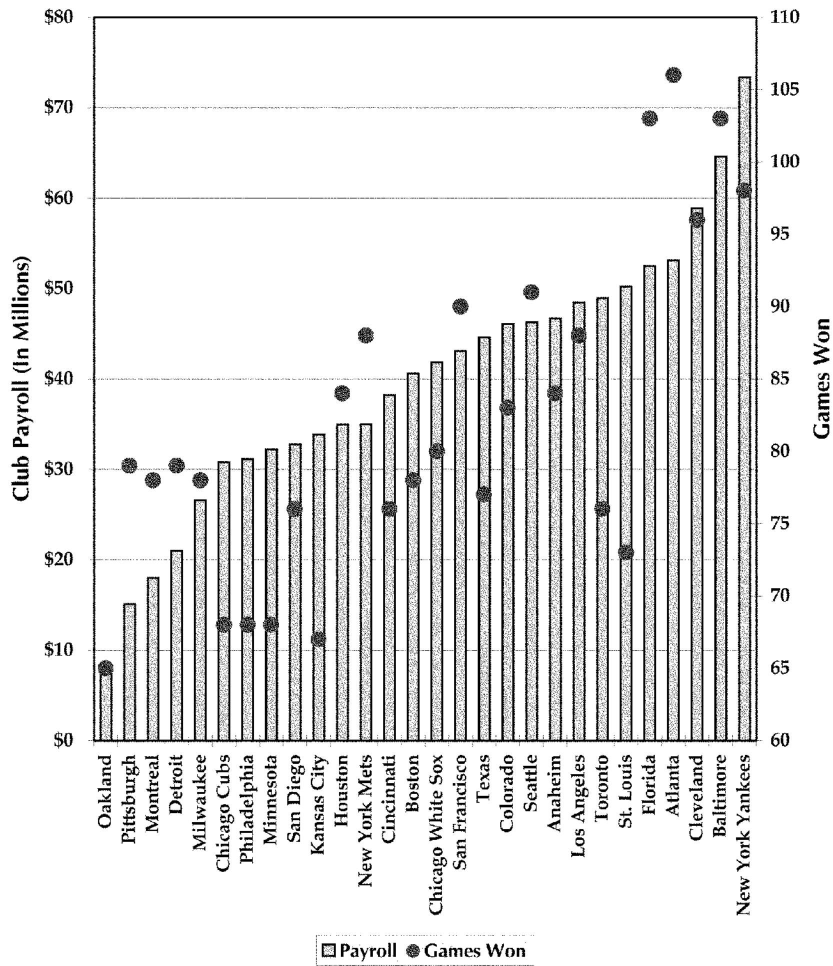
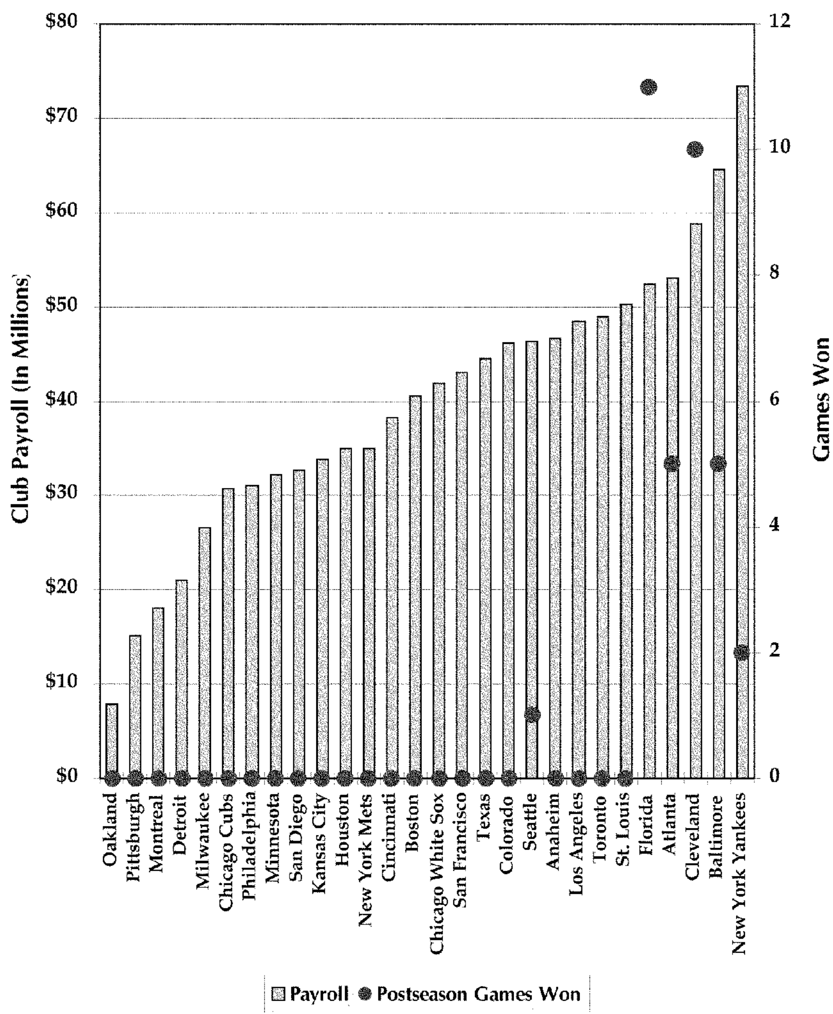


Chart 23: 1997 Club Payroll and Postseason Games Won



VII.5. 1998 Season Detailed Data

Table 22: 1998 Games Won and Lost

	1998 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,321	576	441	339	295	248	198	150	133	113	93	69	60
Games Lost	1,139	332	252	183	154	126	95	77	58	45	35	29	24
Total Games	2,460	908	693	522	449	374	293	227	191	158	128	98	84
% Won	54%	63%	64%	65%	66%	66%	68%	66%	70%	72%	73%	70%	71%

	1998 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,139	410	292	208	183	153	125	102	84	69	59	46	36
Games Lost	1,321	532	419	299	243	201	157	116	94	73	62	43	35
Total Games	2,460	942	711	507	426	354	282	218	178	142	121	89	71
% Won	46%	44%	41%	41%	43%	43%	44%	47%	47%	49%	49%	52%	51%

	1998 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,460	986	733	547	478	401	323	252	217	182	152	115	96
Games Lost	2,460	864	671	482	397	327	252	193	152	118	97	72	59
Total Games	2,460	1,850	1,404	1,029	875	728	575	445	369	300	249	187	155
% Won	N/A	53%	52%	53%	55%	55%	56%	57%	59%	61%	61%	61%	62%
% of Games Played	N/A	75%	57%	42%	36%	30%	23%	18%	15%	12%	10%	8%	6%

Table 23: 1998 Season Data, by Player Payroll

				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	Montreal	$44,978,262	$8,317,500	65	97
2	Pittsburgh	54,442,132	13,695,000	69	93
3	Oakland	53,030,714	18,585,114	74	88
4	Florida	61,504,202	19,141,000	54	108
5	Cincinnati	57,381,920	20,707,333	77	85
6	Minnesota	49,261,951	22,027,500	70	92
7	Detroit	57,569,478	23,318,980	65	97
8	Tampa Bay	79,203,791	27,645,000	63	99
9	Philadelphia	67,641,549	29,922,500	75	87
10	Arizona	101,517,101	32,814,500	65	97
11	Kansas City	56,088,749	35,610,000	72	89
12	Milwaukee	61,179,263	37,254,036	74	88
13	Toronto	65,086,548	37,618,500	88	74
14	Chicago White Sox	75,421,056	37,855,000	80	82
15	Seattle	82,478,317	44,845,014	76	85
16	St. Louis	92,134,829	47,608,948	83	79
17	Colorado	110,231,422	47,959,648	77	85
18	San Francisco	66,054,695	48,339,715	89	74
19	Houston	65,777,948	48,354,000	102	60
20	Chicago Cubs	82,700,377	51,061,000	90	73
21	San Diego	76,216,265	53,081,166	98	64
22	Anaheim	83,188,783	54,190,500	85	77
23	Cleveland	125,735,154	56,843,441	89	73
24	New York Mets	104,041,928	58,710,665	88	74
25	Boston	105,094,751	59,547,000	92	70
26	Los Angeles	100,054,984	60,731,667	83	79
27	Atlanta	118,137,441	61,840,254	106	56
28	Texas	100,768,291	62,755,368	88	74
29	New York Yankees	157,865,696	73,963,698	114	48
30	Baltimore	124,063,756	77,320,921	79	83
	Average	$82,628,378	$42,388,832		
	Median	$77,710,028	$46,226,981		
	Total	$2,478,851,353	$1,271,664,968		

Chart 24: 1998 Club Payroll and Games Won

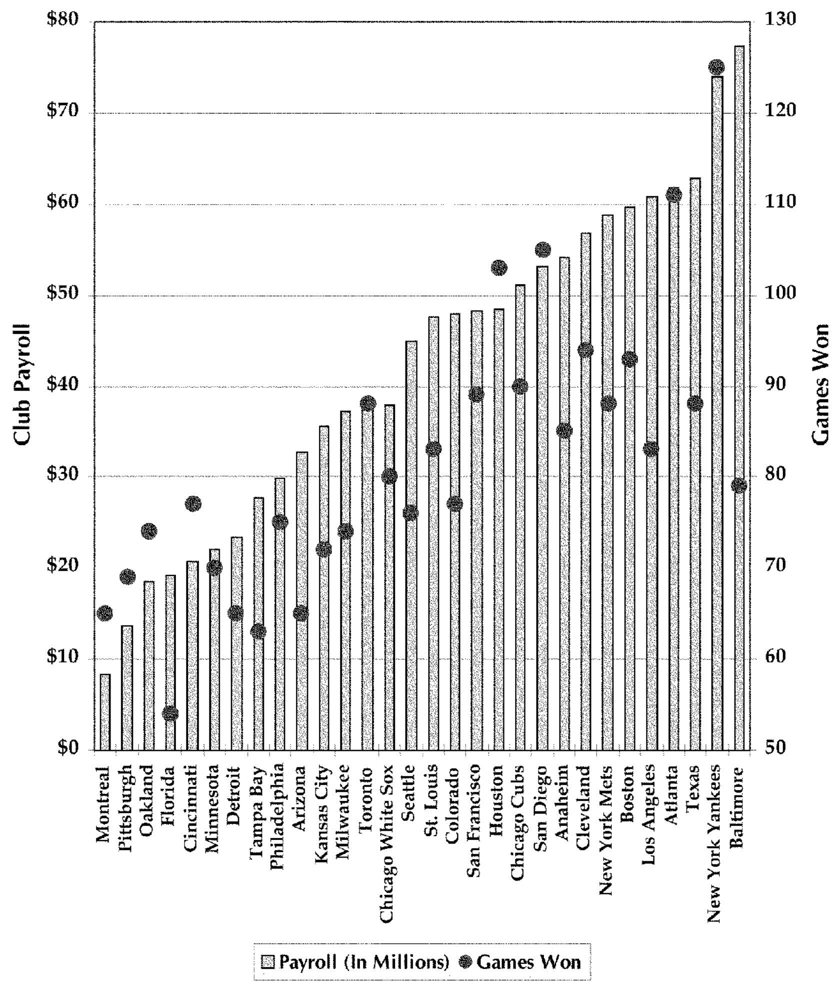
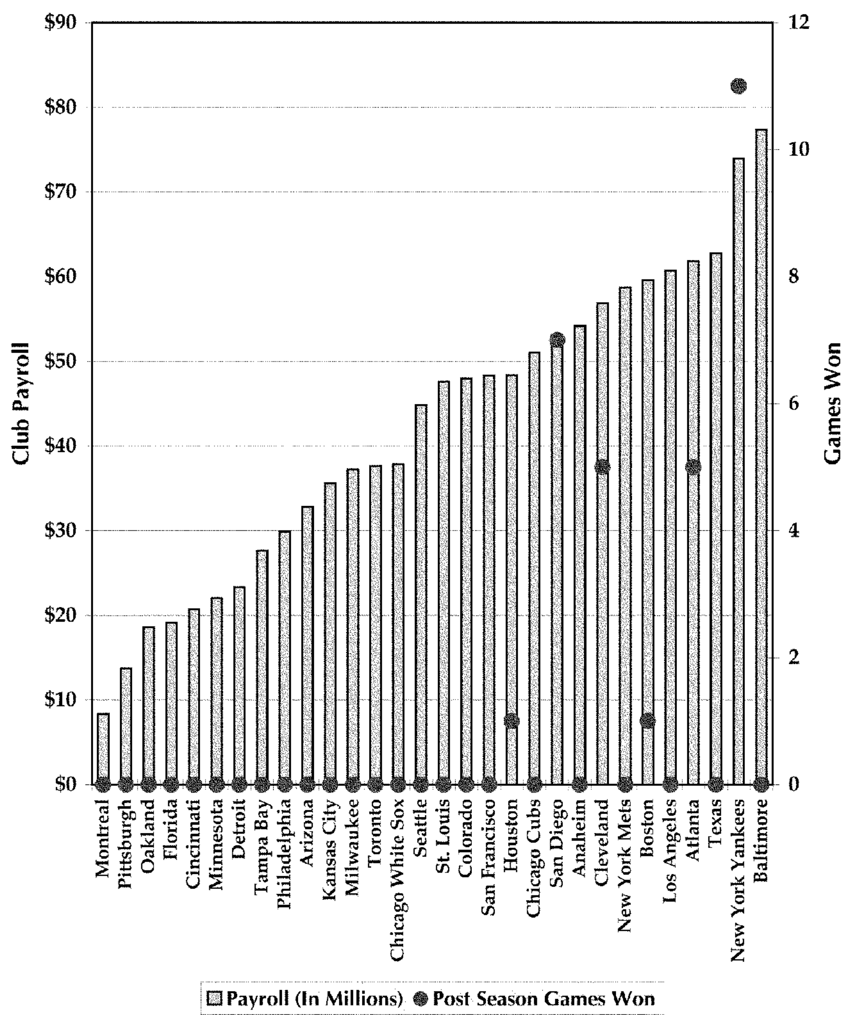


Chart 25: 1998 Club Payroll and Postseason Games Won



VII.6. 1999 Season Detailed Data

Table 24: 1999 Games Won and Lost

	1999 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,284	568	442	339	275	222	182	173	134	103	83	79	66
Games Lost	1,174	379	295	218	169	140	103	93	75	49	41	38	28
Total Games	2,458	947	737	557	444	362	285	266	209	152	124	117	94
% Won	52%	60%	60%	61%	62%	61%	64%	65%	64%	68%	67%	68%	70%

	1999 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	1,174	518	406	320	247	209	166	153	123	98	80	73	59
Games Lost	1,284	424	326	241	200	167	124	106	86	59	43	42	35
Total Games	2,458	942	732	561	447	376	290	259	209	157	123	115	94
% Won	48%	55%	55%	57%	55%	56%	57%	59%	59%	62%	65%	63%	63%

	1999 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	2,458	1,086	848	659	522	431	348	326	257	201	163	152	125
Games Lost	2,458	803	621	459	369	307	227	199	161	108	84	80	63
Total Games	2,458	1,889	1,469	1,118	891	738	575	525	418	309	247	232	188
% Won	N/A	57%	58%	59%	59%	58%	61%	62%	61%	65%	66%	66%	66%
% of Games Played	N/A	77%	60%	45%	36%	30%	23%	21%	17%	13%	10%	9%	8%

Table 25: 1999 Season Data, by Player Payroll

				Season	
No.	Club	Total Revenue	Player Payroll	Won	Lost
1	Minnesota	$52,635,426	$15,795,000	63	97
2	Florida	72,949,579	16,435,000	64	98
3	Kansas City	63,552,162	17,442,000	64	97
4	Montreal	48,798,479	18,140,250	68	94
5	Pittsburgh	63,185,292	24,532,420	78	83
6	Chicago White Sox	79,468,139	24,535,000	75	86
7	Oakland	62,584,712	24,562,547	87	75
8	Philadelphia	77,187,504	32,116,500	77	85
9	Detroit	78,128,450	36,979,666	69	92
10	Tampa Bay	75,459,000	37,865,451	69	93
11	Cincinnati	68,405,518	38,891,007	96	66
12	Milwaukee	63,574,858	43,576,575	74	87
13	San Francisco	74,681,794	46,016,934	86	76
14	St. Louis	101,835,164	46,337,129	75	86
15	San Diego	79,608,446	46,487,179	74	88
16	Seattle	114,229,183	47,001,254	79	83
17	Toronto	73,838,214	49,972,300	84	78
18	Anaheim	86,122,060	53,345,297	70	92
19	Chicago Cubs	105,957,245	55,544,648	67	95
20	Colorado	115,996,020	55,571,004	72	90
21	Houston	78,133,849	58,064,000	97	65
22	Arizona	102,801,000	70,196,818	100	62
23	New York Mets	140,589,295	72,503,334	96	66
24	Cleveland	136,783,057	73,341,692	97	65
25	Boston	117,105,417	75,260,656	94	68
26	Los Angeles	114,150,740	76,607,247	77	85
27	Baltimore	123,606,398	78,948,641	78	84
28	Atlanta	128,274,969	79,831,599	103	59
29	Texas	109,294,685	81,676,598	95	67
30	New York Yankees	177,937,346	92,440,955	98	64
	Average	$92,895,800	$49,667,290		
	Median	$79,538,293	$46,744,217		
	Total	$2,786,874,001	$1,490,018,701		

Chart 26: 1999 Club Payroll and Games Won

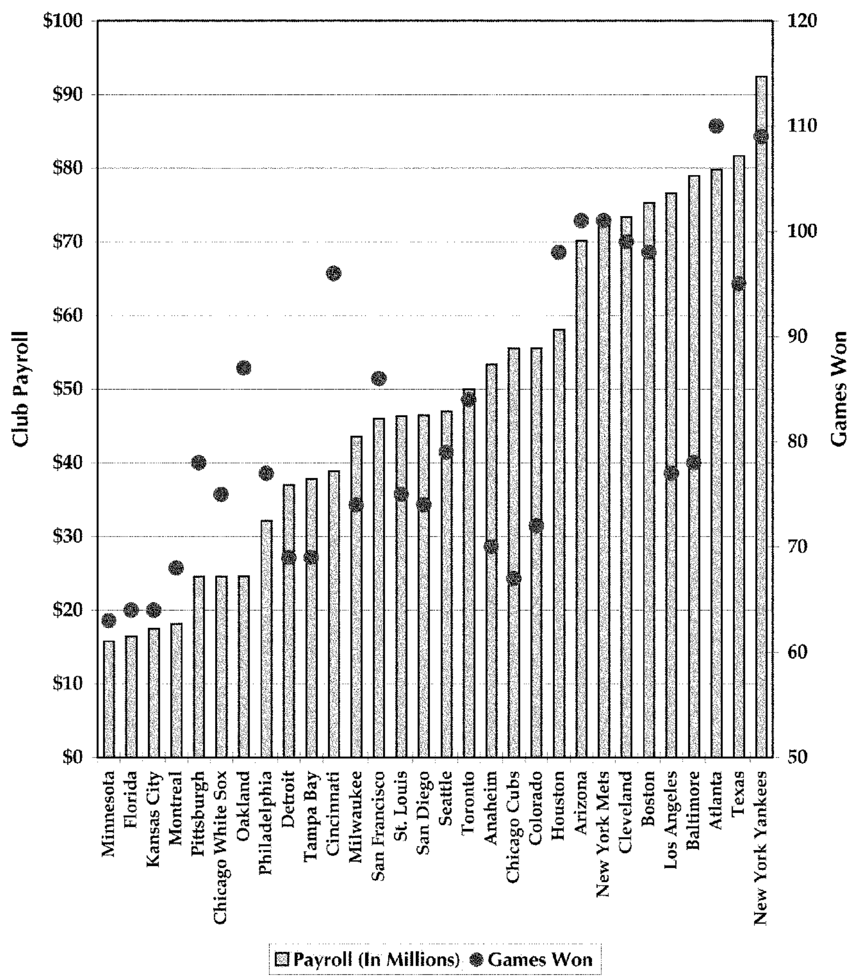
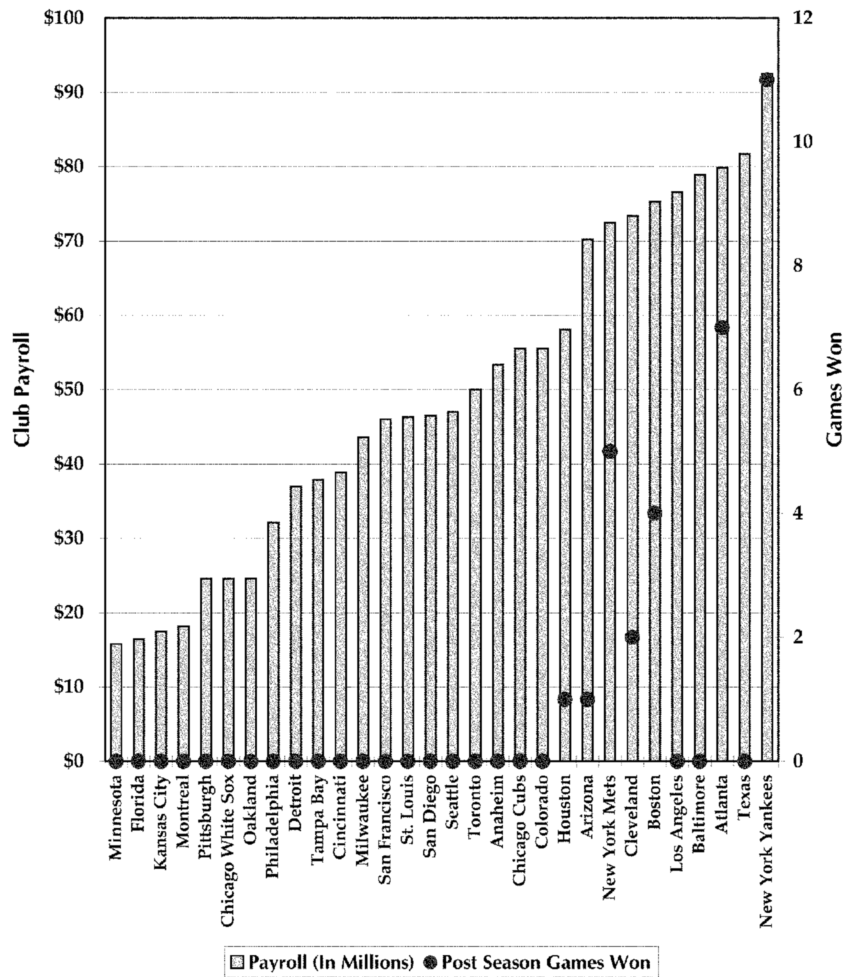


Chart 27: 1999 Club Payroll and Postseason Games Won



VII.7. Season Summary, 1995-1999

Table 26: Postseason Appearances by Payroll Quartile, 1995-1999

Payroll Quartile	1995	1996	1997	1998	1999
IV	NY Mets	Milwaukee	Oakland	Montreal	Minnesota
IV	Montreal	Pittsburgh	Pittsburgh	Pittsburgh	Florida
IV	Minnesota	Montreal	Montreal	Oakland	Kansas City
IV	Milwaukee	Detroit	Detroit	Florida	Montreal
IV	Pittsburgh	Kansas City	Milwaukee	Cincinnati	Pittsburgh
IV	Florida	Minnesota	Chicago Cubs	Minnesota	Chicago WS
IV	San Diego	Oakland	Philadelphia	Detroit	Oakland
III				Tampa Bay	Philadelphia
III	Detroit	NY Mets	Minnesota	Philadelphia	Detroit
III	St. Louis	Anaheim	San Diego	Arizona	Tampa Bay
III	Philadelphia	Florida	Kansas City	Kansas City	Cincinnati
III	Kansas City	Toronto	Houston	Milwaukee	Milwaukee
III	Oakland	Houston	NY Mets	Toronto	San Francisco
III	Houston	Philadelphia	Cincinnati	Chicago WS	St. Louis
III	San Francisco	Chicago Cubs	Boston	Seattle	San Diego
II	Anaheim	San Diego	Chicago WS	St. Louis	Seattle
II	Texas	San Francisco	San Francisco	Colorado	Toronto
II	Los Angeles	Los Angeles	Texas	San Francisco	Anaheim
II	Chicago Cubs	Boston	Colorado	Houston	Chicago Cubs
II	Seattle	St. Louis	Seattle	Chicago Cubs	Colorado
II	Colorado	Colorado	Anaheim	**San Diego**	Houston
II	Boston	Texas	Los Angeles	Anaheim	Arizona
I				Cleveland	NY Mets
I	**Cleveland**	Seattle	Toronto	NY Mets	Cleveland
I	Chicago WS	Cincinnati	St. Louis	Boston	Boston
I	Toronto	Chicago WS	Florida	Los Angeles	Los Angeles
I	Atlanta	Cleveland	Atlanta	Atlanta	Baltimore
I	Cincinnati	**Atlanta**	**Cleveland**	Texas	**Atlanta**
I	Baltimore	Baltimore	Baltimore	NY Yankees	Texas
I	NY Yankees	NY Yankees	NY Yankees	Baltimore	NY Yankees

	KEY:
	Postseason Appearance
	LCS Appearance
	World Series Appearance
	World Series Winner

Table 27: Local Revenue by Club, 1995-1999

No.	Club	1995	1996	1997	1998	1999	% Increase
1	Anaheim	$36.61	$32.16	$35.33	$61.18	$62.62	71%
2	Arizona	N/A	N/A	N/A	93.78	92.46	(1%)
3	Atlanta	68.64	76.60	105.64	109.34	119.22	74%
4	Baltimore	68.97	86.48	110.81	116.84	113.45	64%
5	Boston	59.90	69.62	72.42	93.92	105.04	75%
6	Chicago Cubs	47.28	50.58	55.33	66.18	92.32	95%
7	Chicago White Sox	48.79	58.43	63.52	56.27	56.64	16%
8	Cincinnati	32.62	29.77	32.55	31.42	39.95	22%
9	Cleveland	65.78	89.01	104.38	117.88	128.82	96%
10	Colorado	67.57	78.12	88.41	101.52	104.18	54%
11	Detroit	27.68	24.43	23.74	30.21	51.58	86%
12	Florida	36.40	37.87	52.02	39.07	44.11	21%
13	Houston	21.89	35.14	37.80	46.05	56.52	158%
14	Kansas City	25.58	26.30	28.58	30.24	34.19	34%
15	Los Angeles	62.30	71.03	81.97	87.74	101.50	63%
16	Milwaukee	25.37	27.20	28.61	36.43	34.82	37%
17	Minnesota	21.69	26.44	26.91	19.70	17.87	(18%)
18	Montreal	20.10	21.16	20.35	14.15	11.97	(40%)
19	New York Mets	45.17	56.86	63.12	89.49	132.32	193%
20	New York Yankees	90.18	102.04	128.86	152.99	175.94	95%
21	Oakland	27.57	26.74	30.97	26.81	33.70	22%
22	Philadelphia	41.40	45.72	40.68	44.08	51.56	25%
23	Pittsburgh	16.53	21.84	26.96	27.60	32.67	98%
24	San Diego	18.38	32.10	40.07	58.13	57.55	213%
25	San Francisco	32.93	41.82	44.60	45.89	52.15	58%
26	Seattle	30.64	47.90	66.80	67.86	96.78	216%
27	St. Louis	31.91	53.01	58.50	78.86	86.24	170%
28	Tampa Bay	N/A	N/A	N/A	71.75	65.35	(9%)
29	Texas	50.21	66.38	76.26	88.21	95.47	90%
30	Toronto	52.87	52.98	49.08	42.48	50.33	(5%)
	Average	$41.96	$49.56	$56.94	$64.87	$73.24	75%
	Average Increase		18.1%	14.9%	13.9%	12.9%	
	Total	$1,174.96	$1,387.73	$1,594.27	$1,946.07	$2,197.32	87%

Note: All dollar figures are in millions.

Table 28: Total Revenue by Club, 1995-1999

No.	Club	1995	1996	1997	1998	1999	% Increase
1	Anaheim	$44.10	$49.00	$58.04	$83.19	$86.12	95%
2	Arizona	N/A	N/A	N/A	101.52	102.80	1%
3	Atlanta	76.14	85.59	114.79	118.14	128.27	68%
4	Baltimore	76.48	94.12	118.97	124.06	123.61	62%
5	Boston	67.41	79.61	85.23	105.09	117.10	74%
6	Chicago Cubs	54.78	64.09	72.06	82.70	105.96	93%
7	Chicago White Sox	56.30	69.62	78.04	75.42	79.47	41%
8	Cincinnati	40.12	46.76	53.52	57.38	68.41	71%
9	Cleveland	73.28	96.75	113.75	125.74	136.78	87%
10	Colorado	75.07	91.96	105.26	110.23	116.00	55%
11	Detroit	35.18	43.31	46.94	57.57	78.13	122%
12	Florida	43.90	51.70	69.16	61.50	72.95	66%
13	Houston	29.39	50.61	56.92	65.78	78.13	166%
14	Kansas City	33.08	44.55	50.10	56.09	63.55	92%
15	Los Angeles	69.80	81.30	93.86	100.06	114.15	64%
16	Milwaukee	32.87	44.96	50.42	61.18	63.57	93%
17	Minnesota	29.19	44.74	49.52	49.26	52.64	80%
18	Montreal	27.60	39.85	43.59	44.98	48.80	77%
19	New York Mets	52.68	70.47	78.41	104.04	140.59	167%
20	New York Yankees	97.68	107.93	135.12	157.87	177.94	82%
21	Oakland	35.07	44.49	52.19	53.03	62.58	78%
22	Philadelphia	48.90	60.38	60.87	67.64	77.19	58%
23	Pittsburgh	24.03	40.67	49.03	54.44	63.19	163%
24	San Diego	25.88	48.62	59.11	76.22	79.61	208%
25	San Francisco	40.43	55.92	62.51	66.05	74.68	85%
26	Seattle	38.14	60.35	79.66	82.48	114.23	200%
27	St. Louis	39.41	66.20	74.36	92.13	101.83	158%
28	Tampa Bay	N/A	N/A	N/A	79.20	75.46	(5%)
29	Texas	57.71	76.74	89.06	100.77	109.29	89%
30	Toronto	60.37	64.88	66.73	65.09	73.84	22%
	Average	$49.46	$63.40	$73.83	$82.63	$92.90	88%
	Average Increase		28.2%	16.5%	11.9%	12.4%	
	Total	$1,384.99	$1,775.17	$2,067.22	$2,478.85	$2,786.87	101%
	Note: All dollar figures are in millions.						

Table 29: Payroll by Club, 1995-1999

No.	Club	1995	1996	1997	1998	1999	% Increase
1	Anaheim	$34.70	$25.14	$46.68	$54.19	$53.34	54%
2	Arizona	N/A	N/A	N/A	32.81	70.20	114%
3	Atlanta	47.02	53.80	53.11	61.84	79.83	70%
4	Baltimore	48.74	55.13	64.61	77.32	78.95	62%
5	Boston	38.16	38.52	40.61	59.55	75.26	97%
6	Chicago Cubs	36.80	32.61	30.79	51.06	55.54	51%
7	Chicago White Sox	40.75	44.83	41.85	37.85	24.53	(40%)
8	Cincinnati	47.74	43.70	38.21	20.71	38.89	(19%)
9	Cleveland	40.18	47.69	58.87	56.84	73.34	83%
10	Colorado	38.04	41.11	46.09	47.96	55.57	46%
11	Detroit	28.66	17.96	20.99	23.32	36.98	29%
12	Florida	22.96	25.31	52.47	19.14	16.44	(28%)
13	Houston	33.61	29.61	34.93	48.35	58.06	73%
14	Kansas City	31.18	19.98	33.87	35.61	17.44	(44%)
15	Los Angeles	36.73	37.31	48.47	60.73	76.61	109%
16	Milwaukee	17.41	11.70	26.56	37.25	43.58	150%
17	Minnesota	15.36	21.25	32.20	22.03	15.80	3%
18	Montreal	13.12	17.26	18.01	8.32	18.14	38%
19	New York Mets	13.10	24.89	34.99	58.71	72.50	453%
20	New York Yankees	58.17	61.51	73.39	73.96	92.44	59%
21	Oakland	33.37	22.52	7.88	18.58	24.56	(26%)
22	Philadelphia	30.33	30.40	31.10	29.92	32.12	6%
23	Pittsburgh	17.67	16.99	15.12	13.70	24.53	39%
24	San Diego	25.01	33.38	32.77	53.08	46.49	86%
25	San Francisco	33.74	34.65	43.07	48.34	46.02	36%
26	Seattle	37.98	43.13	46.30	44.85	47.00	24%
27	St. Louis	28.68	38.73	50.22	47.61	46.34	62%
28	Tampa Bay	N/A	N/A	N/A	27.65	37.87	37%
29	Texas	35.89	41.33	44.59	62.76	81.68	128%
30	Toronto	42.23	28.78	48.96	37.62	49.97	18%
	Average	$33.12	$33.54	$39.88	$42.39	$49.67	50%
	Average Increase		1.3%	18.9%	6.3%	17.2%	
	Total	$927.33	$939.22	$1,116.71	$1,271.66	$1,490.02	61%
	Note: All dollar figures are in millions.						

Table 30: Total Operating Income (Loss) by Club, 1995-1999

No.	Club	Total
1	Anaheim	$(83.32)
2	Arizona	(30.63)
3	Atlanta	(6.88)
4	Baltimore	(10.03)
5	Boston	(5.43)
6	Chicago Cubs	(30.36)
7	Chicago White Sox	(48.10)
8	Cincinnati	(32.53)
9	Cleveland	45.92
10	Colorado	12.44
11	Detroit	(44.71)
12	Florida	(63.63)
13	Houston	(71.12)
14	Kansas City	(56.91)
15	Los Angeles	(77.33)
16	Milwaukee	(42.86)
17	Minnesota	(36.69)
18	Montreal	(5.14)
19	New York Mets	(40.56)
20	New York Yankees	64.50
21	Oakland	(44.95)
22	Philadelphia	(32.71)
23	Pittsburgh	(18.90)
24	San Diego	(72.07)
25	San Francisco	(97.02)
26	Seattle	(41.65)
27	St. Louis	(47.40)
28	Tampa Bay	(4.88)
29	Texas	(38.96)
30	Toronto	(87.63)
	Average	($34.98)
	Total	$(1,049.54)
	Note: Dollars in millions.	

Table 31: Games Won and Lost by Payroll Advantage, 1995-1999

	1995-1999 Homes Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	6,167	2,459	1,773	1,320	1,062	820	636	517	410	326	265	211	183
Games Lost	5,396	1,615	1,140	847	653	493	365	291	225	174	135	106	87
Total Games	11,563	4,074	2,913	2,167	1,715	1,313	1,001	808	635	500	400	317	270
% Won	53%	60%	61%	61%	62%	62%	64%	64%	65%	65%	66%	67%	68%

	1995-1999 Visitor Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	5,396	1,967	1,405	1,026	789	618	467	395	306	245	202	163	132
Games Lost	6,167	2,125	1,534	1,132	898	692	528	398	314	239	187	142	121
Total Games	11,563	4,092	2,939	2,158	1,687	1,310	995	793	620	484	389	305	253
% Won	47%	48%	48%	48%	47%	47%	47%	50%	49%	51%	52%	53%	52%

	1995-1999 Games												
Payroll Advantage	All	25%	50%	75%	100%	125%	150%	175%	200%	225%	250%	275%	300%
Games Won	11,563	4,426	3,178	2,346	1,851	1,438	1,103	912	716	571	467	374	315
Games Lost	11,563	3,740	2,674	1,979	1,551	1,185	893	689	539	413	322	248	208
Total Games	23,126	8,166	5,852	4,325	3,402	2,623	1,996	1,601	1,255	984	789	622	523
% Won	50%	54%	54%	54%	54%	55%	55%	57%	57%	58%	59%	60%	60%
% of Games	N/A	35%	25%	19%	15%	11%	9%	7%	5%	4%	3%	3%	2%

VII.8. Index

MLB UPDATED SUPPLEMENT

to

The Report of the Independent

Members of the Commissioner's

Blue Ribbon Panel on Baseball Economics

December 2001

MAJOR LEAGUE BASEBALL®

SUMMARY POINTS

REGARDING BLUE RIBBON UPDATED SUPPLEMENT

The MLB Updated Supplement expands to 2000 and 2001 data included in the Report of the Independent Members of the Commissioner's Blue Ribbon Panel on Baseball Economics, dated July 2000, which examined MLB's current economic structure and its effects on competitive balance.

The gap between the "Haves" and the "Have Nots" Continues to Grow.

MLB's economic condition has not improved significantly in the past two years, and in some ways may have worsened, despite continued robust revenue growth. Structural flaws in MLB's economic system identified by the Blue Ribbon Panel remain, and the revenue and payroll disparities, competitive imbalance and operating losses these flaws foster have generally continued. As industry revenue has risen from $1.38 billion in 1995 to $3.55 billion in 2001, the gap in local revenue and payroll between the high-revenue clubs (the "Haves") and the low-revenue clubs (the

"Have Nots") continued to grow. In 2001, for example, the Montreal Expos had local revenue of $9.8 million and a payroll of $30.6 million. The New York Yankees had local revenue of $217.8 million and a payroll of $120.9 million.

The Lower Quartile Clubs Cannot Compete for Postseason Berths and Success.

From 1995 through 2001, a total of 224 MLB postseason games were played. Five clubs whose payrolls fell in the lower half of the industry qualified for the postseason, winning a total of five games. None advanced past the Division Series. No team outside the top payroll quartile has won a World Series game during this period. The seven-year post-season record is 219–5 (a .978 winning percentage) in favor of the top two payroll quartiles.

The "Caste System" in MLB Remains.

A minority of MLB clubs have the resources to sign premium free agents—including players they developed and would like to retain—or to sign the top amateur or foreign players. This ongoing "caste system" of clubs stratified by revenue and payroll disparities was described by the Blue Ribbon Panel: "MLB is now essentially divided into three groups of unequal size: 1) clubs that expect to reach and perform well in the postseason; 2) clubs that hope for an occasional 'dream season' to reach the postseason; and 3) clubs that know going into spring training that they will not make the playoffs."

Limited Revenue Sharing and "Luxury Tax" Have Not Effectively Moderated Payroll Inflation.

Average club payroll increased by 17 percent in 2000 and 13.1 percent in 2001. The average club payroll has grown 98.4 percent from 1995 ($33.12 million) to 2001 ($65.72 million). The increase in Quartiles I and II remains greater than that in Quartiles III and IV, perpetuating the "caste system."

Industry Profitability Remains Dismal, and Industry Debt Has Soared.

Only two of the 30 MLB clubs (Yankees and Indians) showed an operating profit over the period 1995–2001. MLB clubs had an average operating loss of $46 million over that period, and total industry operating loss was $1.4 billion. MLB clubs' long-term debt, *excluding* guaranteed player contracts for future seasons and deferred compensation, has reached dangerous levels, exceeding $3 billion.

The Cost of Competing Inevitably Continues to Drive Up Ticket and Concession Prices.

The soaring cost of fielding a competitive team inevitably causes an inflationary spiral in ticket and concession prices, threatening to "price out" families that traditionally have been MLB's core audience. As the Blue Ribbon Panel's Report warned, failure to implement an economic structure that fosters better competitive balance could jeopardize MLB's future popularity and growth.

NOTEWORTHY FACTS AND FIGURES

REGARDING BLUE RIBBON UPDATED SUPPLEMENT

Revenue Growth

- MLB revenue has grown from $1.38 billion in 1995 to $3.55 billion in 2001.
- Revenue growth was only 6.7% in 2001, lowest since pre-1995.
- Revenue growth was 28.2% in '96, 16.5% in '97, 19.9% in '98, 11.4% in '99, 20.4% in 2000.
- No new ballparks scheduled to open in 2002.

Local Revenue Growth and Disparities

- Local revenue grew 141 percent from 1995 ($1.2 billion) to 2001 ($2.8 billion).
- 2001 local revenue ranged from Montreal ($9.8 million) to New York Yankees ($217.8 million).
- From 1995 through 2001, 5 clubs averaged local revenues of more than $100 million, 7 clubs averaged local revenues under $40 million.
- Difference in average local revenue between revenue Quartile I clubs and Quartile IV clubs was $47.7 million in 1995, grew to $115.6 million in 2001.

Postseason Performance

- From 1995 through 2001, a total of 224 MLB postseason games were played.
- 5 clubs from payroll Quartiles III and IV made playoffs, winning 5 games. All lost in 1st round.
- No team outside payroll Quartile I won a World Series game.
- Only one club outside payroll Quartile I reached World Series (1998 San Diego Padres).

- 7-year post-season record is 219–5 (.978 percentage) in favor of top two payroll quartiles.

Payroll Inflation and Disparity

- Average club payroll has grown 98.4 percent from 1995 ($33.12 million) to 2001 ($65.72 million).
- Payroll Quartile I average has grown from $46.4 million in 1995 to $99.9 million in 2001.
- Payroll Quartile II average has grown from $36.9 million in 1995 to $75.1 million in 2001.
- Payroll Quartile III average has grown from $31.4 million in 1995 to $49.7 million in 2001
- Payroll Quartile IV average has grown from $17.8 million in 1995 to $35.5 million in 2001.
- Gap in average payroll, Quartile I clubs to Quartile IV clubs, was $64.4 million in 2001.
- Average payroll increased 1.3% in 1996, 18.9% in 1997, 6.3% in 1998, 17.2% in 1999, 17% in 2000, 13.1% in 2001.

MLB Profitability, Operating Losses

- Only 2 of the 30 MLB clubs (Yankees and Indians) operated profitably, 1995–2001.
- 25 of the 30 clubs (83 percent) will incur operating loses after interest in 2001.
- 2001 MLB operating losses were $232 million.
- From 1995 through 2001, MLB operating losses exceeded $1.38 billion.

Club (Industry) Debt

- 2001 debt, *excluding* guaranteed contracts and deferred compensation, is $3.14 billion.
- Since 1993, total industry debt increased 429 percent, from $593 million to $3.14 billion.
- Average club debt in 2001 is approximately $105 million.
- Deferred compensation commitments in 2001 total an *additional* $1.11 billion.

I. Preface

The staff of Major League Baseball (MLB), at the direction of the Commissioner, has prepared this Supplement to update The Report of the Independent Members of the Commissioner's Blue Ribbon Panel on Baseball Economics, which was released in July, 2000. The purpose of this document is to bring up to date the economic information that was examined by the Blue Ribbon Panel, which covered the 1995–1999 baseball seasons. Comparable data for the 2000 and 2001 seasons has been included in a number of updated tables and charts that now cover the period 1995–2001.

The organizational format for presenting data is the same used in The Report of the Independent Members. There are some small differences in data for the 1995–1999 seasons from those published in their July, 2000 Report, reflecting corrections made after further verification of data by the accounting firm Ernst and Young. None of the adjustments are of an order of magnitude that would reasonably alter the conclusions or recommendations of the Independent Members. Every effort has been made to ensure that the data in this Supplement are as complete, up-to-date and accurate as possible.

A number of the findings, observations and conclusions of the Blue Ribbon Panel have been excerpted from The Report of the Independent Members and recounted here verbatim-albeit in condensed, summary form-in order to provide context for the updated supporting data. This Supplement adheres closely to the analytical framework of The Report of the Independent Members, and where possible uses the precise language of the Independent Members to explain the data that have now been updated to cover the extended period since their Report was released.

It should be emphasized, however, that the new text labeled "Update" in the Overview of Updated Data and accompanying the updated tables and charts in the Updated Data and Analysis section has been provided by the MLB staff, not by the Independent Members who authored the July, 2000 Report. Any observations and opinions the individual Independent Members may have with respect to the updated data or explanatory text should properly come from them. MLB does not intend to imply that the Blue Ribbon Panel has met to update or revise The Report of the Independent Members released in July, 2000 or that the Independent Members in any way authored, endorsed or reviewed this Supplement.

At the direction of the Commissioner or the Independent Members, MLB may periodically expand this Supplement or publish additional updates of information in The Report of the Independent Members.

II. The Blue Ribbon Panel on Baseball Economics

The Commissioner's Blue Ribbon Panel on Baseball Economics was formed to study whether revenue disparities among clubs are seriously damaging competitive balance, and, if so, to recommend structural reforms to ameliorate the problem.

Specifically, the Independent Members were charged with studying the economic condition of the game and producing a report addressing the relationship between MLB's current economic structure and competitive balance, and the ramifications of the current economic system for the future growth, health, stability and competitive balance of Major League Baseball.

The Blue Ribbon Panel analyzed data provided by MLB for the years 1995–1999. Data included information about each club's regular-season and post-season won-loss record, ticket and concession prices, local revenues, Central Fund revenues, player payrolls, revenue sharing payments/receipts, profits and losses, industry debt and franchise values. Data were verified by the accounting firm Ernst and Young through 1998.

The Independent Members of the panel were: Richard C. Levin, professor of economics and President of Yale University; former United States Senator George J. Mitchell; Paul Volcker, former Chairman of the Board of Governors of the Federal Reserve System; and George F. Will, political columnist and commentator who has written extensively about baseball. Representatives of 12 MLB clubs also participated on the Panel.

(Note: The Mission Statement of the Blue Ribbon Panel and a complete listing of the Independent Members and the Club Representatives can be found on pages 53–54 of The Report of the Independent Members. Biographies of the Independent Members can be found on pages 55–57. Definitions of Local Revenue, Central Fund Revenue, and Payroll, and the formulas used for calculating revenue sharing payments/receipts, can be found on page 59 of the Report.)

III. Blue Ribbon Panel's Findings and Conclusions

After more than 18 months of considering voluminous data on the economic condition of the game, the Independent Members released a detailed, 87-page report in July, 2000. Their summary conclusions were as follows:

a. *Large and growing revenue disparities exist* and are causing problems of chronic competitive imbalance.

b. *These problems have become substantially worse* during the five complete seasons since the strike-shortened season of 1994, and seem likely to remain severe unless Major League Baseball undertakes remedial actions proportional to the problem.

c. The limited revenue sharing and payroll tax that were approved as part of MLB's 1996 Collective Bargaining Agreement with the Major League Baseball Players Association (MLBPA) *have produced neither the intended moderating of payroll disparities nor improved competitive balance.* Some low-revenue clubs, believing the amount of their proceeds from revenue sharing insufficient to enable them to become competitive, used those proceeds to become modestly profitable.

d. In a majority of MLB markets, *the cost to clubs of trying to be competitive is causing escalation of ticket and concession prices,* jeopardizing MLB's traditional position as the affordable family spectator sport.

The Independent Members reached other findings and conclusions, including, among others, these:

1. "Measured simply in terms of gross revenues, which almost doubled during the five complete seasons (1995–1999) since 1994, MLB is prospering. But that simple measurement is a highly inadequate gauge of MLB's economic health. Because of anachronistic aspects of MLB's economic structure, the prosperity of some clubs is having perverse effects that pose a threat to the game's long-term vitality."

2. “Widening revenue disparities have been accompanied by widening payroll disparities. . . .Not surprisingly, there is a strong correlation between high player payrolls and success on the field. Although a high payroll is not always sufficient to produce a club capable of reaching postseason play—there are numerous instances of competitive failures by high-payroll clubs—a high payroll has become an increasingly necessary ingredient of on-field success.”
3. “In the context of baseball, proper competitive balance should be understood to exist when there are no clubs chronically weak because of MLB’s structural features. Proper competitive balance will not exist until every well-run club has a regularly recurring reasonable hope of reaching postseason play.”
4. “Granted, competitive balance as here defined has been an elusive goal, when it has been a goal at all, throughout MLB’s history. However, the fact that baseball’s structural flaws are historic is not an argument for continuing acceptance of them. This is particularly so when they are producing revenue disparities with unhealthy consequences for competitive balance.”
5. “What has made baseball’s recent seasons disturbing, and what makes its current economic structure untenable in the long run, is that, year after year, too many clubs know in spring training that they have no realistic prospect of reaching postseason play. Too many clubs in low-revenue markets can only expect to compete for postseason berths if ownership is willing to incur staggering operating losses to subsidize a competitive player payroll.”
6. “Furthermore, baseball fans are not, and should not be asked to be, as stoical about competitive imbalance as they have been in the past. Competition for the sports entertainment dollar, and for the sport fan’s attention, is increasingly intense. There was a time when baseball had the almost undivided attention of sports fans from April to October. Now, however, there are just six weeks between the last National Basketball Association (NBA) championship game and the first National Football League (NFL) preseason game. MLB must improve its competitive balance if it is to remain competitive with other sports attractions.”
7. “The NFL and NBA have thrived with structures that allow franchises in widely different kinds of markets (including small media markets such as Green Bay and San Antonio) to succeed. To ensure baseball’s broad and enduring popularity, and to guarantee its future growth, MLB needs a structure under which clubs in smaller markets can have regularly recurring chances to contend for championships.”
8. “MLB should vigorously develop new ways to increase revenues, but that alone will not solve the problem of competitive imbalance.”
9. “The heart of the problem is the large and growing disparity of what are called ’local’ revenues. Although most of baseball’s revenues are these so-called ’local revenues,’ *none* of the revenues really result exclusively from the sale of a local product. It takes two clubs to have a game and 30 clubs to have today’s division races. All clubs are selling—indeed, all are elements of—a single product, Major League Baseball.”
10. “Therefore, to reform baseball’s structure to produce reasonable competitive balance, substantially more of the industry’s revenues should be treated as just that—the *industry’s* revenues—and should be distributed in ways that cause all clubs to operate within a much narrower band of unequal economic resources. The band should be broad enough to allow baseball entrepreneurship to be rewarded, but narrow enough that intractable differences between local markets do not produce a baseball underclass of chronically uncompetitive clubs.”
11. “The fundamental objective of reform should be an industry in which each team’s success on the field, over time, will be determined by the skill of the players and the baseball acumen of the men and women who conduct the team’s business—scouting, player development, baseball management, marketing, etc.”
12. “Any reform of MLB should protect and balance the interests of players, clubs and fans. These three constituencies should cooperate to create an economic structure that promotes a reasonable rate of growth of player salaries, produces competitive balance and preserves baseball as affordable family entertainment.”
13. “In recent years there has been a rapidly accelerating disparity in revenues and, consequently, in payrolls between clubs in high- and low-revenue markets. There also has been a stronger correlation between club revenues/pay-

rolls and on-field competitiveness in the years since the issue of competitive balance was studied by the Joint Economic Study Committee which issued its report in 1992." (Note: That committee was established by the 1990 Basic Agreement and included representatives of MLB, the MLBPA and outside experts.) "The inescapable conclusion is that major structural problems exist in the economics of professional baseball. If these flaws are not addressed by MLB promptly, decisively, and ultimately in conjunction with the MLBPA, the future of the game as we have known it will be imperiled."

14. "In short, it should be apparent that the time for tinkering with MLB's existing, flawed economic structure has passed and that sweeping changes in the game's economic landscape are necessary. What is required is a corrective course of action to: 1) implement reforms on matters that are not subject to collective bargaining and that can be imposed unilaterally by the Commissioner and the member clubs in the best interests of the game and its fans; and 2) engage the MLBPA in cooperative and collaborative discussions, as appropriate within the MLBPA's collective bargaining rights, to develop and implement long-term structural changes, strategies and joint marketing initiatives to make the game more popular and prosperous, nationally and internationally."

IV. Overview of Updated Data

Update—An update of the charts, tables and other data studied by the Commissioner's Blue Ribbon Panel to include the 2000 and 2001 seasons suggests that the economic condition of the game has not improved significantly in the past two years, and in some ways-including industry profitability and debt levels—may have worsened.

In their July, 2000 report, the Independent Members wrote: "Our mission has been to consider the relevant economic data, indicators and variables. We have concluded that a majority of MLB clubs today are not reasonably competitive, that the problem of competitive balance is a product of MLB's economic structure, and that this structure is adversely affecting the ability of most clubs to increase revenues and achieve operating stability."

The more recent data, extending the Blue Ribbon Panel's five-year view of club and industry performance to seven years, support the view that the structural flaws the Panel identified in MLB's economic system remain, and the trends they foster relative to revenue and payroll disparities, competitive imbalance and operating losses have generally continued. The gap in both average local revenue and average payroll between clubs in Quartile I and Quartile IV continued to grow.

Three different teams from the bottom half of the payroll scale have reached postseason play in the past two seasons (including the Oakland Athletics, who have reached the playoffs both years), and they have won a combined total of five games. In the previous five years, only one team from the bottom half of the payroll scale reached postseason play (Houston in 1997) and did not win a playoff game. This could be interpreted as an improvement in competitive balance, but it is slight, and probably aberrational. None of the Quartile III and Quartile IV clubs advanced beyond the Division Series, and no team outside of the top payroll quartile has won a single World Series game in the past seven years.

The occasional low-payroll teams that do contend for and achieve postseason berths appear to have little realistic opportunity to retain their best players long enough, or to acquire suitable reinforcements, to become regular contenders. The game's current economic system makes it problematic for many clubs to compete for premium free agents—including players they have developed into stars and would like to retain—or to sign the best available amateur or foreign players. Only a few clubs have the resources to sign the top veteran and entry-level players (including foreign free agents).

The harsh reality facing the majority of MLB clubs under the current economic system is that they must make a choice between being competitive on the field or operating on a break-even or modestly profitable basis. Only two of the 30 MLB clubs (the New York Yankees and Cleveland Indians) have shown an operating profit over the seven-year period, and despite generally robust revenue growth, MLB's industry-wide operating losses and long-term debt have reached historic levels.

Over the period 1995–2001, MLB clubs had an average operating loss of $46 million, and the total industry operating loss for the period was $1.4 billion. Industry indebtedness, *excluding* guaranteed player contracts for future seasons and deferred compensation, has grown from $593 million in 1993 to $3.1 billion in 2001. Industry debt is now more than three times the level it was in 1997.

As is usually the case with businesses that routinely lose money, the mounting operating losses and debt levels have put several MLB clubs at serious risk. The inflationary pressures of trying to field a competitive team have continued to cause a corresponding spiral in ticket and concession prices that is alarming to heretofore loyal fans and could "price out" or reduce the frequency of attendance by families that traditionally have been baseball's core audience. Meanwhile, failure to implement an economic system that fosters a more desirable degree of competitive balance could jeopardize the popularity and future growth of MLB, including sustained revenue growth, as the Blue Ribbon Panel's Report warned.

Many of the specific observations, findings and conclusions in the Report of the Independent Members bear repeating as the data on which they were based are updated to include the two seasons since the Report was issued.

1. *The Blue Ribbon Panel's Report stated:* "Despite impressive industry-wide revenue growth over the past five years, MLB has an outdated economic structure that has created an unacceptable level of revenue disparity and competitive imbalance over the same period. The growing gap between the 'have' and the 'have not' clubs—which is to say the minority that have a realistic chance of succeeding in postseason play and the majority of clubs that have poor prospects of reaching the postseason—is a serious and imminent threat to the popularity, health, stability and growth of the game. Players appear to share this view. In a survey of MLB players published in the May 2, 2000 edition of *Baseball Weekly*, lack of competitive balance was cited as the biggest problem facing the game today. A vast majority of players surveyed responded that it was 'very important' that small market teams have the same chance of reaching the World Series as large market teams."

Update—The positive industry revenue growth continued in 2000, increasing 20.4 percent, which was largely attributable to a new MLB network television contract with Fox and national cable contract with ESPN, and the opening of new ballparks in San Francisco, Houston and Detroit. (Seattle, which opened its new ballpark at midseason in 1999, also had the first full year of revenues from Safeco Field.) Revenue growth slowed to 6.7 percent in 2001, when new ballparks opened in Milwaukee and Pittsburgh. Overall, industry revenue has risen from $1.38 billion in 1995 to $3.55 billion in 2001, with increases of 28.2 percent in 1996, 16.5 percent in 1997, 19.9 percent in 1998, 11.4 percent in 1999, and, as noted, 20.4 percent and 6.7 percent in 2000 and 2001, respectively. Growing disparities in revenue and payroll between "have" and "have not" clubs characterize the seven-year period (1995–2001) as they did the five-year period (1995–99) examined by the Blue Ribbon Panel.

2. *The Blue Ribbon Panel's Report stated:* "The introduction of limited revenue sharing and a 'luxury tax' on payrolls for a trial period under the 1996 Collective Bargaining Agreement (known as the 'Basic Agreement') apparently did not create any significant 'drag' on player salaries and has not significantly enhanced competitive balance. In fact, a number of low-revenue clubs, realizing that they had no realistic chance to compete for the postseason, opted instead for marginal profitability from revenue sharing proceeds and did not increase their player payrolls to levels that would make them competitive. This grim fact of modern baseball life has frustrated fans in low-revenue markets."

Update—The average payroll in payroll Quartile III has increased from $41 million in 1999 to $49.7 million in 2001, and in payroll Quartile IV from $20.2 million in 1999 to $35.5 million in 2001, which indicates that some low-revenue clubs have increased their payrolls in an effort to become more competitive. Average club payroll increased industry-wide by 17 percent in 2000 and by 13.1 percent in 2001. Moreover, the increase in payrolls in payroll Quartile I and Quartile II has continued to be greater than that in payroll Quartile III and Quartile IV. In payroll Quartile I, the average payroll increased from $78.8 million in 1999 to $99.9 million in 2001, and in payroll Quartile II, the average payroll increased from $55.7 million in 1999 to $75.1 million in 2001. The limited revenue sharing and luxury tax introduced in 1996 still does not appear to have created any significant "drag" on player salaries and does not appear to have significantly enhanced competitive balance.

3. *The Blue Ribbon Panel's Report stated:* "A reasonably level playing field, on which clubs representing markets that are quite diverse geographically, demographically and economically can compete with at least periodic opportunities for success, is fundamental to MLB's continued growth and popular appeal. Yet, from 1995 through 1999, a total of 158 MLB postseason games were played. During this period, no club whose payroll fell in the lower half of the industry won even a single postseason game. Only one has even qualified for the postseason."

Update—That was what George F. Will, one of the Independent Members of the Blue Ribbon Panel, in a *Newsweek* column dubbed "the 158-game winning streak." The streak was broken in 2000. The updated numbers: From 1995 through 2001, a total of 224 MLB postseason games were played. During this period, five clubs whose payrolls fell in the lower half of the industry qualified for the postseason, and they won a total of five games. None advanced past the first round of the playoffs. No team outside the top payroll quartile has won a World Series game during the period, and only one has reached the World Series. (The 1998 San Diego Padres, then in payroll Quartile II, won the National League pennant but were swept in the World Series in four straight games by the New York Yankees.) The seven-year postseason record for 1995–2001 is 219–5 (a .978 winning percentage) in favor of the top two payroll quartiles.

4. *The Blue Ribbon Panel's Report stated:* "MLB is now essentially divided into three groups of unequal size: 1) clubs that expect to reach and perform well in the postseason; 2) clubs that hope for an occasional 'dream season' to reach the postseason; and 3) clubs that know going to spring training that they will not make the playoffs."

Update—Although some clubs have moved into higher revenue quartiles, largely because of increased local revenues from new ballparks, and some have increased payroll in an effort to become more competitive, other clubs have cut payroll because of what their ownership considers intolerable operating losses and have fallen to lower payroll quartiles. The "caste system" of clubs stratified by revenue and payroll disparities remains essentially as described in the July, 2000 Report.

V. Updated Data and Analysis

A. Average Payroll and Postseason Performance

Table 1: Division Series ("DS"), League Championship Series ("LCS"), and World Series ("WS") Games Won by Payroll Quartile, 1995-2001

	Quartile I			Quartile II			Quartile III			Quartile IV			Total
	Avg Payroll	DS & LCS	W-S	Avg Payroll	DS & LCS	W-S	Avg Payroll	DS & LCS	W-S	Avg Payroll	DS & LCS	W-S	Games Won
1995	$46.4	19	6	$36.9	6	0	$31.4	0	0	$17.8	0	0	31
1996	50.0	19	6	37.9	7	0	28.1	0	0	18.2	0	0	32
1997	57.4	26	7	45.3	1	0	35.4	0	0	21.5	0	0	34
1998	64.0	18	4	50.1	8	0	35.4	0	0	18.0	0	0	30
1999	78.8	25	4	55.7	2	0	41.0	0	0	20.2	0	0	31
2000	91.6	18	5	61.2	5	0	48.3	1	0	28.0	2	0	31
2001	99.9	20	7	75.1	6	0	49.7	0	0	35.5	2	0	35
Total		145	39		35	0		1	0		4	0	224

Note: All dollar figures are in millions.

The Blue Ribbon Panel's Report stated: "From 1995 through 1999, a total of 158 postseason games were played. For analytical purposes, it is useful to divide the clubs into 'quartiles' by ranking them (based on payroll) from high to low and separating the clubs into four equal size groups. For example in 1995, the seven clubs with the highest payrolls would constitute 'Quartile I.' (Footnote: Prior to the expansion in 1998, each quartile consisted of seven clubs. After the 1998 expansion, Quartile I and Quartile III have eight clubs, and Quartile II and Quartile IV have seven clubs.) During this five year period, *no club* from payroll Quartile III or Quartile IV won a Division Series or League Championship Series game, and *no club* from payroll Quartile II, Quartile III or Quartile IV won a World Series game."

Update—The average payroll in payroll Quartile I has grown from $46.4 million in 1995 to $99.9 million in 2001. In payroll Quartile II, the average has grown from $36.9 million to $75.1 million. In payroll Quartile III, the average has grown from $31.4 million to $49.7 million. In payroll Quartile IV, the average has grown from $17.8 million to $35.5 million over the seven years.

The Blue Ribbon Panel suggested that one indicator of a system that could achieve a durable competitive balance in baseball would be a ratio of approximately 2:1 between the average payroll of the payroll Quartile I clubs to the average payroll of the payroll Quartile IV clubs. In 2001, the ratio was closer to 3:1. In 1999, the last season examined by the Blue Ribbon Panel, the actual gap in average payroll between payroll Quartile I clubs ($78.8 million) and payroll Quartile IV clubs ($20.2 million) was $58.6 million. By 2001, the actual gap had grown to $64.4 million.

As previously noted, from 1995 through 2001, a total of 224 postseason games were played. During this seven-year period, no club from payroll Quartile II, Quartile III or Quartile IV won a World Series game, only one club from outside payroll Quartile I reached the World Series, and five clubs in payroll Quartile III and Quartile IV won a total of only five games, never advancing to the League Championship Series.

B. Industry Revenues

Table 2: Industry Revenues, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Revenue	$1,384,985,100	$1,775,166,374	$2,067,222,496	$2,478,851,353	$2,761,057,131	$3,324,828,164	$3,547,875,999
% Increase		28.2%	16.5%	19.9%	11.4%	20.4%	6.7%

The Blue Ribbon Panel's Report stated: "The years following the 1994–1995 players' strike have seen substantially increased revenue to the industry. The average revenue of clubs in 1999 approached $100 million. Industry revenues have doubled during the past five years. . . .

"Revenue to clubs comes primarily from three sources: 1) *so-called local revenues* include ticket sales, local television, radio and cable rights, ballpark concessions, parking, and team sponsorships; 2) *Central Fund revenues* are generated by industry-wide contracts, such as national television contracts and licensing arrangements, and historically have been distributed evenly to all clubs; and 3) *revenue sharing,* introduced in 1996, which transfers locally generated money from high-revenue clubs to low-revenue clubs.

"Revenues, in all likelihood, will continue to grow during the next decade as new ballparks are opened. New ballparks have opened this season [2000] in San Francisco, Houston and Detroit, and others are expected to open in 2001 in Milwaukee and Pittsburgh, and soon in San Diego and Cincinnati. Plans are moving forward for new ballparks in other communities in the future.

"The new generation of ballparks that began with the 1992 opening of Oriole Park at Camden Yards in Baltimore includes design and programming features and modern amenities that have proved to be enormously popular with the public. These ballparks have dramatically increased the attendance and revenues of the clubs that play in them. In addition to Baltimore, the franchises with new ballparks that opened in the 1990s include Arizona, Atlanta, Chicago White Sox, Cleveland, Colorado, Seattle and Texas. St. Louis and Anaheim undertook major renovations that transformed dual-purpose stadiums (football and baseball) into baseball-oriented facilities. New ballpark construction and renovation has made a substantial contribution to revenue growth in the second half of the past decade.

"In fact, the construction or renovation of facilities to add modern amenities has been effective in increasing the revenue-and therefore the player payroll and competitiveness-of some clubs. In many cases, the ballparks themselves have become attractions, dramatically increasing attendance and revenues and providing the club the financial resources to field teams with payrolls high enough to have a chance to be competitive.

"It is reasonable to expect that new ballparks will continue to fuel industry revenue growth for the foreseeable future, and this is a positive trend for the industry. However, revenue growth alone does not provide a long-term solution for the structural flaws in MLB's economic system. Eventually, most clubs will have attractive, baseball-oriented facilities with modern amenities, and then the revenue/payroll disparities that breed competitive imbalance will be magnified because the clubs in large media markets have revenue opportunities from new ballparks that are greater than those of their counterparts in smaller markets. They can command more for naming rights, ballpark signage, team sponsorships, etc. They can charge more for tickets, sell more suites and club seats than their small market competitors, as well as receive substantially more for local television and radio rights. The level of public investment in new ballparks also varies dramatically from community to community, which means that some clubs need to devote much more of their newly generated revenue to private financing and debt service than others.

"New ballparks are vitally important for expanding the game's prosperity. Baseball is best enjoyed in intimate, charming venues that become attractions in themselves and enhance the entertainment experience, regardless of whether the home team is winning or losing. However, they are not in and of themselves the answer to solving the competitive balance and economic problems that plague MLB."

Update—As previously noted, industry revenue growth slowed dramatically in 2001 from the robust levels of the previous six years, increasing 6.7 percent from the prior year, compared to increases of 28.2 percent in 1996, 16.5 percent in 1997, 19.9 percent in 1998, 11.4. percent in 1999, and 20.4 percent in 2001. Without new ballparks that opened in Milwaukee and Pittsburgh, 2001 growth was only 5.5 percent. Moreover, the projected outlook for revenue growth in 2002 has been revised downward because no new ballparks will open and the continuing national economic slowdown, exacerbated by the events of September 11, 2001, has caused a downturn in corporate spending. As noted in the Blue Ribbon Panel's Report, new ballparks that enhance the entertainment experience of baseball, with modern amenities and premium seating, are important to the industry and to future revenue growth, but they should not be viewed as a panacea for MLB's economic and competitive balance problems.

C. Local Revenues

Table 3: Local Revenue Growth, 1995-2001

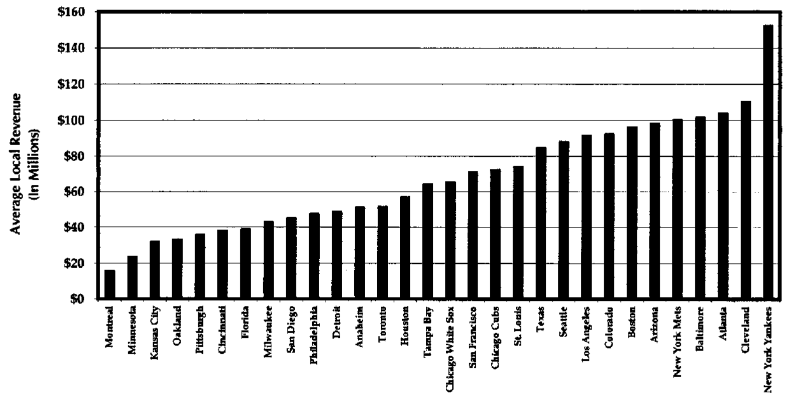
	1995	1996	1997	1998	1999	2000	2001
Local Revenue	$1,174,962,112	$1,387,730,133	$1,594,272,561	$1,946,065,708	$2,170,202,921	$2,604,240,248	$2,827,911,000
% Increase		18.1%	14.9%	22.1%	11.5%	20.0%	8.6%

The Blue Ribbon Panel's Report stated: "Local revenue grew 87 percent from 1995 to 1999, adding some one billion dollars (or roughly $200 million each year) to the industry's total revenues. From 1996 through 1999, local revenue constituted approximately 79 percent of total industry revenue. (Footnote: In 1995, during a strike-shortened season, local revenues comprised approximately 84 percent of industry revenues.)"I21*Update*—Local revenue grew 141 percent from 1995 to 2001, adding some $1.6 billion (or roughly $275 million each year) to the industry's total revenues. From 1996 through 2001, local revenue constituted approximately 78 percent of total industry revenue.

The Blue Ribbon Panel's Report stated: "In 1999, the range of local revenues was enormous, from $12 million for Montreal to $176 million for the New York Yankees. This begs the obvious question: How can a club like Montreal expect to compete with the New York Mets, whose local revenues are ten times greater? The inescapable answer is: They cannot, even with a productive scouting and player development system and sound baseball management. Several low-revenue clubs in the 1990s have tried to remain competitive on the field with a strategy of devoting their modest resources to scouting and player development and fielding teams of young, talented players who likely would have had more minor-league seasoning with higher-revenue, higher-payroll clubs. The theory under which these lower-revenue clubs have operated is that their fans would appreciate seeing young, aggressive, 'hungry and hustling' teams and that they would be able to retain a nucleus of these young stars long enough to contend periodically for the postseason. Unfortunately, doing so has become increasingly problematic, and fans in those markets have become progressively frustrated, disillusioned and resigned to also-ran status as a seemingly endless succession of home-grown talent has moved on, via free agency or financially motivated trades, to help high-revenue, high-payroll clubs to championships."

Update—In 2001, the range of local revenues was even more enormous, from $9.8 million for Montreal to $217.8 million for the Yankees, which meant that many clubs could not realistically compete with league and division rivals whose local revenues (and payrolls) are multiples more. An outstanding recent example of a low-revenue club remaining competitive through sound baseball management, including scouting and development, is the Oakland Athletics, who are in revenue Quartile IV and payroll Quartile IV, but have made it to the playoffs the past two seasons, winning two games each time in the best-of-five Division Series before falling to the Yankees.

Chart 2: Average Local Revenue by Club, 1995-2001



The Blue Ribbon Panel's Report stated, referring to the comparable chart for the period 1995–1999: "The graphic depiction of the problem illustrates just how steep a mountain the low-revenue clubs have to climb."

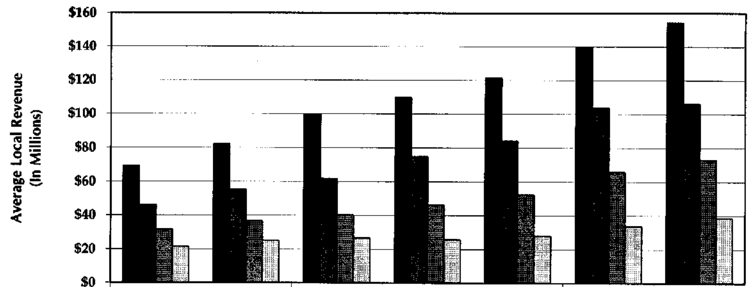
Update—The mountain is still steep for the low revenue clubs. The average local revenue for the clubs at the high end of the graph has grown at a faster rate than the average local revenues of the clubs at the low end of the graph.

The Blue Ribbon Panel's Report stated: "Local revenues generally are the largest component of most clubs' annual revenue. Unlike other professional sports, in which a much larger portion of television rights fees are pooled and distributed equally among all teams, most MLB television and radio rights are negotiated and sold locally, in each individual market. Only the rights to network television and radio (essentially rights to postseason games) and a national cable package are sold by MLB, with the revenue going to the Central Fund. Because local markets vary greatly in size, the local TV and radio revenues flowing to each club vary in size by large amounts. The local radio and TV rights received by some clubs exceed the total revenues of other clubs.

"Media market rank also affects other local revenues available to clubs, including the amount they can charge for ballpark naming rights, signage, sponsorships, etc. No matter how well-managed a club might be, it cannot change its media market rank—a factor in the revenue disparity that translates to payroll disparity and competitive imbalance."

Update—This has not changed.

Chart 3: Average Local Revenue by Revenue Quartile, 1995-2001



	1995	1996	1997	1998	1999	2000	2001
■ Quartile I	$69.05	$81.84	$99.48	$109.47	$121.33	$139.59	$154.01
■ Quartile II	$46.05	$55.16	$61.67	$74.54	$83.94	$103.73	$106.02
■ Quartile III	$31.39	$36.37	$40.02	$46.05	$52.03	$65.68	$73.13
□ Quartile IV	$21.36	$24.87	$26.59	$25.73	$27.96	$33.71	$38.39

The Blue Ribbon Panel's Report stated: "The disparity in local revenues also can be examined by considering all clubs in their respective revenue quartiles, where Quartile I contains the highest revenue clubs and Quartile IV contains the lowest revenue clubs.

"Over the period 1995 to 1999, average local revenue (i.e., ticket sales, concessions, local and television and radio, sponsorships, etc.) has increased by $53.5 million for revenue Quartile I clubs, but has increased only an average of $7.9 million for revenue Quartile IV clubs. Revenue Quartile I, Quartile II and Quartile III all had regular increases during the five-year period, as shown below. The average for revenue Quartile IV has not shown a consistent increase. (The average declined from 1997 to 1998.) The seemingly unbridgeable—and ultimately unacceptable—chasm between the 'haves' and the 'have- nots' has grown wider."

Update—Over the period 1995 to 2001, average local revenue has increased by $84.96 million for revenue Quartile I clubs, but has increased only by $17.03 million for revenue Quartile IV clubs. The chasm between the "haves" and the "have nots" continues to grow wider.

D. Central Fund Revenues

Table 6: Average Annual Net Central Fund Distribution, 1995-2001

1995	1996	1997	1998	1999	2000	2001
$4,774,951	$8,350,117	$10,675,462	$12,314,988	$13,419,062	$18,186,432	$17,856,000

The Blue Ribbon Panel's Report stated: "Central Fund revenue historically has been distributed equally to all clubs. The table [above] shows the amount of the annual allocation. (Footnote: Net Central Fund distributions may vary slightly-less than 5 percent-from the table to reflect certain financial arrangements, including those for new franchises entering MLB; however, in 1998 and 1999, Arizona and Tampa Bay, as new franchises, received approximately 42 percent and 53 percent of the Central Fund Distribution made to the other 28 clubs.)

"Central Fund distributions have risen each year, but not as fast as the local revenues of some of the highest revenue clubs. The lowest revenue clubs, however, find that their Central Fund distribution is now larger than their local revenues.

"In addition to the central revenues that are shared equally by the clubs through the Central Fund, MLB has, since 1996, redistributed local revenues centrally through the mechanism contained in Article XXV of the Basic Agreement. Over this four-year period through the 2001 season, the higher revenue clubs have redistributed a total of $312 million to lower revenue clubs. Accordingly, in addition to the Central Fund payments a club receives, each club's total revenue figures reflect the club's revenue sharing (payments) or receipts."

Update—The average annual net Central Fund distribution had its largest increase in the seven-year period in 2000, from $13,419,062 in 1999 to $18,186,432.

This was in part because of a new network television contract with Fox and a new national cable television package with ESPN. For the first time in the seven-year period, the average annual net Central Fund distribution declined in 2001 from the previous year, to $17,856,000.

E. Club Payrolls

Table 7: Average Club Payroll, 1995-2001

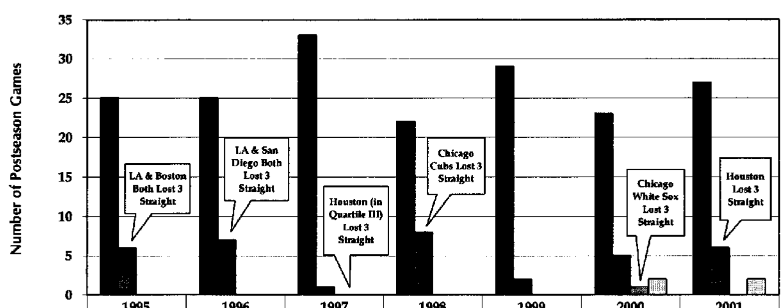
	1995	1996	1997	1998	1999	2000	2001	Increase
Average	$33.12	$33.54	$39.88	$42.39	$49.67	$58.10	$65.72	98.4%
Average Increase		1.3%	18.9%	6.3%	17.2%	17.0%	13.1%	
Note: All dollar figures are in millions								

The Blue Ribbon Panel's Report stated: "Quite simply, the higher revenue clubs have the financial resources to: 1) sign high-salaried free agents from other clubs; 2) retain their own high-salaried players; and 3) sign top prospects from the Rule 4 draft, where signing bonuses for highly sought-after players have risen dramatically in recent years, and players from foreign countries, where players are exempt from the draft and can be signed as free agents. The rich clubs become richer in talent, stockpiling expensive players, while poor teams cannot afford to bid on premium players either at the entry level or on the veteran free agent market."

Update—The average club payroll has continued to rise, increasing 17 percent in 2000 and 13.1 percent in 2001. The average club payroll increased by 50 percent for the five-year period, 1995–1999. That increase was 98.4 percent for the seven-year period, 1995–2001.

F. Club Competitiveness

Chart 12: Postseason Games Won by Payroll Quartile, 1995-2001



	1995	1996	1997	1998	1999	2000	2001
Quartile I	25	25	33	22	29	23	27
Quartile II	6	7	1	8	2	5	6
Quartile III	0	0	0	0	0	1	0
Quartile IV	0	0	0	0	0	2	2

The Blue Ribbon Panel's Report stated: "The stratification of clubs in different payroll quartiles into consistent contenders, occasional contenders and hopeless pretenders is also reflected when the results of postseason games are analyzed.

"From 1995 through 1999, a total of 158 postseason games were played. During this five-year period, no club from payroll Quartile III or Quartile IV won a postseason game. Further, only one club from payroll Quartile III appeared in the postseason during this period."

Update—Teams from payroll Quartile III and Quartile IV have reached the postseason four times in 2000 and 2001, and once in 1995–1999, winning a total of five games. None has advanced beyond the Division Series. For the seven-year period 1995–2001, teams from payroll Quartile III and Quartile IV have won only 2.2 percent of all postseason games (five of 224).

G. Club Profitability

Chart 1: Average Annual Operating Income for All Clubs, 1995-2001

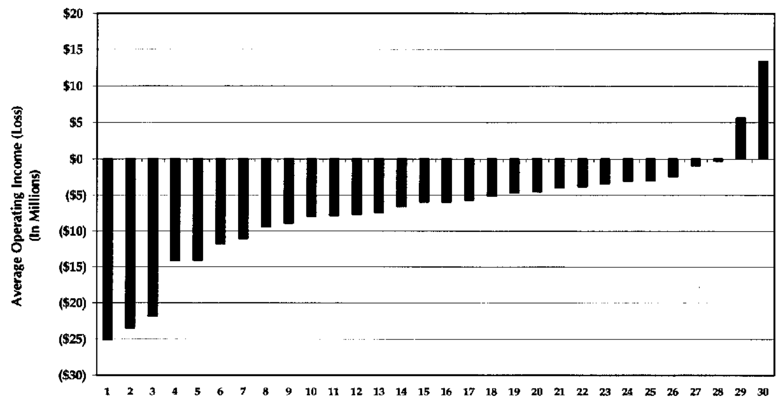


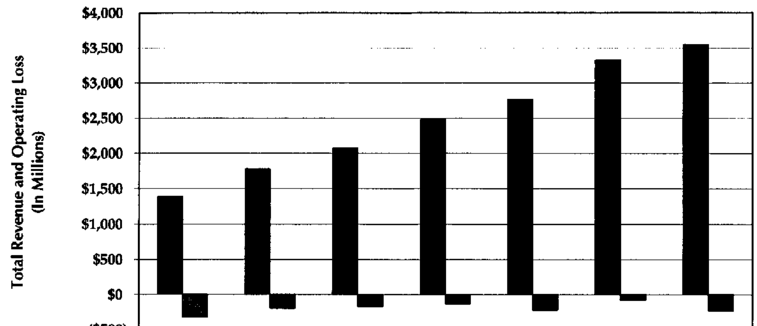
Table 30: Total Operating Income (Loss) by Club, 1995-2001

No.	Club	Total
1	Anaheim	($99.87)
2	Arizona	(100.74)
3	Atlanta	(54.42)
4	Baltimore	(27.93)
5	Boston	(21.92)
6	Chicago Cubs	(31.95)
7	Chicago White Sox	(42.13)
8	Cincinnati	(21.20)
9	Cleveland	39.05
10	Colorado	(2.19)
11	Detroit	(32.79)
12	Florida	(78.22)
13	Houston	(63.08)
14	Kansas City	(46.51)
15	Los Angeles	(165.15)
16	Milwaukee	(6.87)
17	Minnesota	(24.63)
18	Montreal	(35.94)
19	New York Mets	(42.03)
20	New York Yankees	93.63
21	Oakland	(40.24)
22	Philadelphia	(52.37)
23	Pittsburgh	(26.99)
24	San Diego	(99.04)
25	San Francisco	(56.15)
26	Seattle	(17.54)
27	St. Louis	(55.37)
28	Tampa Bay	(47.46)
29	Texas	(66.02)
30	Toronto	(153.71)
	Average	($45.99)
	Total	($1,379.79)
	Note: Dollars in millions.	

The Blue Ribbon Panel's Report stated: "From 1995 through 1999, only three clubs achieved profitability: Cleveland, Colorado and the New York Yankees."

Update—For the seven-year period from 1995 through 2001, only two clubs achieved profitability: Cleveland and the New York Yankees.

Chart 14: MLB Total Revenue and Operating Loss, 1995-2001



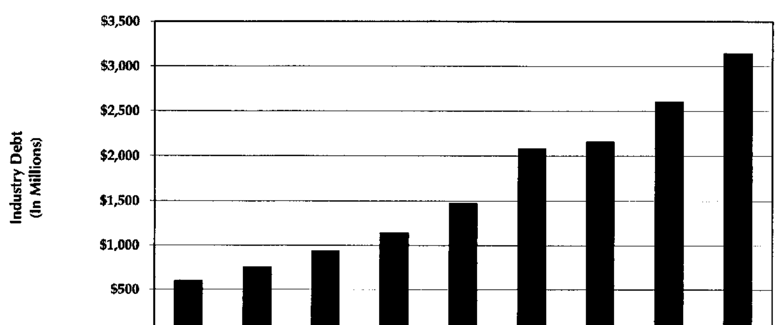
	1995	1996	1997	1998	1999	2000	2001
■ Revenue	$1,385	$1,775	$2,067	$2,479	$2,761	$3,325	$3,548
■ Operating Losses	($326)	($197)	($176)	($138)	($226)	($85)	($232)

The Blue Ribbon Panel's Report stated: "Industry revenue has grown impressively in the past five years. Operating income, however, has been another story. While revenue growth has been steady, operating losses improved only slightly from those sustained in 1995, and remain large. The total MLB losses for the past five years exceed $1 billion."

Update—Industry revenue continued to grow in 2000 and 2001—as previously noted, by 20.4 percent in 2000 and 6.7 percent in 2001. Operating income continues to be a different story. Total MLB operating losses in 2000, when new network and national cable TV contracts went into effect, new ballparks opened in three cities (San Francisco, Houston, Detroit) and Seattle played its first full season in its new ballpark, were $85 million, the lowest in the seven-year period. Operating losses in 2001 are $232 million, the most since 1995. Total MLB operating losses for the past seven years exceed $1.38 billion.

H. Club (Industry) Debt

Chart 17: Industry Debt, 1993-2001



	1993	1994	1995	1996	1997	1998	1999	2000	2001
■ Industry Debt	$593	$751	$933	$1,135	$1,467	$2,075	$2,151	$2,599	$3,139

The Blue Ribbon Panel's Report stated: "Total industry debt (which includes long-term debt, notes payable and revolving credit) has risen 243 percent from 1993 through 1999, the last year for which information was available. The average club debt in 1999 was approximately $69 million, and undoubtedly will continue to rise. Corporate debt has to be serviced, and will exert pressure on club economics. Many clubs have reached dangerous levels of debt."

Update—Total industry debt has risen from $593 million in 1993 to 3.14 billion in 2001 (429 percent). The average club debt in 2001 is approximately $105 million. (This *excludes* deferred compensation. Deferred compensation commitments in 2001 total an additional $1.11 billion, with eight clubs that have commitments exceeding $60 million. Deferred compensation has increased by more than 300 percent since 1995.)

VI. Appendix A

Detailed Data on Local Revenue, Total Revenue and Payroll by Club, 1995–2001

Appendix III to the Blue Ribbon Panel's Report included detailed information on local revenue, total revenue, and payroll by club for the period 1995–1999. This information has been updated to include 2000 and 2001 in the following tables.

Table 27: Local Revenues by Club, 1995-2001

	1995	1996	1997	1998	1999	2000	2001	% Increase
Anaheim	$36.61	$32.16	$35.33	$61.18	$62.62	$63.14	$67.33	84%
Arizona				93.78	94.05	98.82	106.65	14%
Atlanta	68.64	76.60	105.64	109.34	118.92	124.18	122.45	78%
Baltimore	68.97	86.48	110.81	116.84	112.71	111.93	103.90	51%
Boston	59.90	69.62	72.42	93.92	102.86	122.80	152.58	155%
Chicago Cubs	47.28	50.58	55.33	66.18	88.95	92.85	105.37	123%
Chicago White Sox	48.79	58.43	63.52	56.27	56.29	87.58	87.28	79%
Cincinnati	32.62	29.77	32.55	31.42	39.95	54.44	46.48	42%
Cleveland	65.78	89.01	104.38	117.88	126.71	130.70	137.84	110%
Colorado	67.57	78.12	88.41	101.52	101.14	101.43	107.41	59%
Detroit	27.68	24.43	23.74	30.21	47.59	106.36	82.39	198%
Florida	36.40	37.87	52.02	39.07	35.79	34.10	36.15	-1%
Houston	21.89	35.14	37.80	46.05	54.95	102.68	100.23	358%
Kansas City	25.58	26.30	28.58	30.24	34.12	38.60	39.29	54%
Los Angeles	62.30	71.03	81.97	87.74	101.50	115.65	119.21	91%
Milwaukee	25.37	27.20	28.61	36.43	34.82	60.14	88.95	251%
Minnesota	21.69	26.44	26.91	19.70	17.72	20.35	31.87	47%
Montreal	20.10	21.16	20.35	14.15	11.67	12.30	9.77	-51%
New York Mets	45.17	56.86	63.12	89.49	131.96	157.57	158.23	250%
New York Yankees	90.18	102.04	128.86	152.99	174.84	199.63	217.81	142%
Oakland	27.57	26.74	30.97	26.81	28.96	39.97	51.07	85%
Philadelphia	41.40	45.72	40.68	44.08	53.28	49.32	57.11	38%
Pittsburgh	16.53	21.84	26.96	27.60	32.67	41.30	84.31	410%
San Diego	18.38	32.10	40.07	58.13	57.39	54.43	55.32	201%
San Francisco	32.93	41.82	44.60	45.89	51.81	135.69	145.89	343%
Seattle	30.64	47.90	66.80	67.86	94.80	130.54	178.03	481%
St. Louis	31.91	53.01	58.50	78.86	86.63	101.59	108.06	239%
Tampa Bay				71.75	63.14	59.97	62.34	-13%
Texas	50.21	66.38	76.26	88.21	97.38	103.29	110.51	120%
Toronto	52.87	52.98	49.08	42.48	54.98	52.89	54.08	2%
Average	$41.96	$49.56	$56.94	$64.87	$72.34	$86.81	$94.26	
Average Increase		18.1%	15%	14%	12%	20%	9%	
Total	$1,174.96	$1,387.73	$1,594.27	$1,946.07	$2,170.20	$2,604.24	$2,827.91	

Note: All dollar figures are in millions.

Table 28: Total Revenue by Club, After Revenue Sharing, 1995-2001

	1995	1996	1997	1998	1999	2000	2001	% Increase
Anaheim	$44.10	$49.00	$58.04	$83.35	$86.12	$95.14	$101.32	130%
Arizona				101.52	104.39	116.19	120.70	19%
Atlanta	76.14	85.59	114.79	118.28	127.97	136.96	136.21	79%
Baltimore	76.48	94.12	118.97	124.20	122.87	126.98	121.50	59%
Boston	67.41	79.61	85.23	105.29	114.74	135.75	160.54	138%
Chicago Cubs	54.78	64.09	72.06	82.97	102.59	111.38	123.21	125%
Chicago White Sox	56.30	69.62	78.04	75.37	79.11	106.55	107.48	91%
Cincinnati	40.12	46.76	53.52	57.38	68.41	87.90	84.29	110%
Cleveland	73.28	96.75	113.75	125.63	134.68	142.26	148.99	103%
Colorado	75.07	91.96	105.26	110.18	112.95	118.92	125.78	68%
Detroit	35.18	43.31	46.94	53.93	74.14	126.84	111.92	218%
Florida	43.90	51.70	69.16	61.23	64.64	74.00	79.11	80%
Houston	29.39	50.61	56.92	65.53	76.56	119.48	119.44	306%
Kansas City	33.08	44.55	50.10	56.57	63.48	76.01	79.69	141%
Los Angeles	69.80	81.30	93.86	99.89	114.15	130.54	134.50	93%
Milwaukee	32.87	44.96	50.42	61.46	63.58	98.64	115.09	250%
Minnesota	29.19	44.74	49.52	49.94	52.48	65.22	75.33	158%
Montreal	27.60	39.85	43.59	45.57	48.50	60.75	62.69	127%
New York Mets	52.68	70.47	78.41	103.55	140.22	164.23	166.96	217%
New York Yankees	97.68	107.93	135.12	156.70	176.84	199.66	215.67	121%
Oakland	35.07	44.49	52.19	53.37	59.34	76.84	85.99	145%
Philadelphia	48.90	60.38	60.87	67.86	78.91	84.36	93.27	91%
Pittsburgh	24.03	40.67	49.03	54.54	63.18	77.16	110.49	360%
San Diego	25.88	48.62	59.11	76.32	79.45	85.32	88.39	242%
San Francisco	40.43	55.92	62.51	66.39	74.35	153.51	163.99	306%
Seattle	38.14	60.35	79.66	82.67	112.25	146.39	183.64	381%
St. Louis	39.41	66.20	74.36	93.55	102.23	118.67	124.23	215%
Tampa Bay				79.20	73.25	85.54	92.98	17%
Texas	57.71	76.74	89.06	101.00	111.20	118.72	126.17	119%
Toronto	60.37	64.88	66.73	65.41	78.48	84.92	88.31	46%
Average	$49.46	$63.40	$73.83	$82.63	$92.04	$110.83	$118.26	
Average Increase		28%	16%	12%	11%	20%	7%	
Total	$1,384.99	$1,775.17	$2,067.22	$2,478.85	$2,761.06	$3,324.83	$3,547.88	

Note: All dollar figures are in millions.

Table 29: Payroll by Club (25-Man Roster), 1995-2001

	1995	1996	1997	1998	1999	2000	2001	% Increase
Anaheim	$34.70	$25.14	$46.68	$54.19	$53.34	$59.18	$48.06	39%
Arizona				32.81	70.20	82.81	84.63	158%
Atlanta	47.02	53.80	53.11	61.84	79.83	96.02	98.03	108%
Baltimore	48.74	55.13	64.61	77.32	78.95	61.96	77.05	58%
Boston	38.16	38.52	40.61	59.55	75.26	96.92	114.11	199%
Chicago Cubs	36.80	32.61	30.79	51.06	55.54	53.95	79.01	115%
Chicago White Sox	40.75	44.83	41.85	37.85	24.53	39.32	60.89	49%
Cincinnati	47.74	43.70	38.21	20.71	38.89	35.33	42.48	-11%
Cleveland	40.18	47.69	58.87	56.84	73.34	81.02	93.67	133%
Colorado	38.04	41.11	46.09	47.96	55.57	57.15	61.20	61%
Detroit	28.66	17.96	20.99	23.32	36.98	63.87	46.76	63%
Florida	22.96	25.31	52.47	19.14	16.44	24.82	38.35	67%
Houston	33.61	29.61	34.93	48.35	58.06	52.40	72.50	116%
Kansas City	31.18	19.98	33.87	35.61	17.44	25.75	34.39	10%
Los Angeles	36.73	37.31	48.47	60.73	76.61	95.87	120.12	227%
Milwaukee	17.41	11.70	26.56	37.25	43.58	34.43	47.09	170%
Minnesota	15.36	21.25	32.20	22.03	15.80	16.17	31.39	104%
Montreal	13.12	17.26	18.01	8.32	18.14	28.49	30.57	133%
New York Mets	13.10	24.89	34.99	58.71	72.50	90.22	87.39	567%
New York Yankees	58.17	61.51	73.39	73.96	92.44	114.29	120.86	108%
Oakland	33.37	22.52	7.88	18.58	24.56	33.39	41.27	24%
Philadelphia	30.33	30.40	31.10	29.92	32.12	38.83	49.40	63%
Pittsburgh	17.67	16.99	15.12	13.70	24.53	32.84	41.63	136%
San Diego	25.01	33.38	32.77	53.08	46.49	54.69	34.68	39%
San Francisco	33.74	34.65	43.07	48.34	46.02	54.88	74.99	122%
Seattle	37.98	43.13	46.30	44.85	47.00	64.77	78.91	108%
St. Louis	28.68	38.73	50.22	47.61	46.34	75.65	70.57	146%
Tampa Bay				27.65	37.87	56.87	38.15	38%
Texas	35.89	41.33	44.59	62.76	81.68	61.78	80.46	124%
Toronto	42.23	28.78	48.96	37.62	49.97	59.38	72.95	73%
Average	$33.12	$33.54	$39.88	$42.39	$49.67	$58.10	$65.72	
Average Increase		1%	19%	6%	17%	17%	13%	
Total	$927.33	$939.22	$1,116.71	$1,271.66	$1,490.02	$1,743.05	$1,971.56	
Note: All dollar figures are in millions.								

VII. Appendix B

Definitions

1. Revenue
   a. Local revenue consists of gate receipts, local television, radio and cable rights fees, ballpark concessions, local advertising, sponsorship and publications, parking, suite rentals and postseason and spring training revenues. Local revenues are the largest single component of most clubs' total annual revenues.
   b. Central Fund revenue is the money distributed to clubs from national licensing fees and television/radio contracts.
   c. Revenue sharing receipts/payments, introduced in 1996, are local revenues transferred by formula from high-revenue clubs to low-revenue clubs.
2. Payroll
   a. Payroll is calculated from the active 25-man roster (including players on the disabled lists) as of August 31 each year and termination pay where applicable.
   b. The MLB Labor Relations Department defines the 25-man roster payrolls to include guaranteed base salary, earned incentives and a pro-rated allocation of signing bonuses.

3. Revenue and Payroll Quartiles

   a. For the purposes of the Blue Ribbon Panel Report, and this update, clubs were divided into four quartiles based on revenue and payroll. Revenue Quartile I clubs had the greatest revenue, while Quartile IV clubs had the lowest. Similarly, payroll Quartile I clubs were those with the largest player payrolls, while Quartile IV clubs were those with the smallest payrolls.

   b. Prior to expansion in 1998, each quartile consisted of seven clubs. After the 1998 expansion, Quartile I and Quartile III have eight clubs and Quartile II and Quartile IV have seven clubs.

2001 OPERATING RESULTS - 30 CLUBS

2001 Consolidated Industry Forecast (as of 11/25/01)
(in thousands)
(Unaudited)

	Anaheim	Arizona	Atlanta	Baltimore	Boston	Chicago (NL)
OPERATING REVENUE						
Regular season game receipts	30,208	46,509	62,141	53,216	89,743	51,189
Local television, radio and cable	10,927	14,174	19,988	20,994	33,353	23,559
Post season	0	13,000	2,629	0	0	(17)
All Other Local Operating Revenue	26,195	32,970	37,692	29,691	29,485	30,642
Local Operating Revenue	67,330	106,653	122,450	103,901	152,581	105,373
National Revenue	24,401	18,479	24,401	24,401	24,401	24,401
Total Operating Revenue	**91,731**	**125,132**	**146,851**	**128,302**	**176,982**	**129,774**
OPERATING EXPENSES						
[1] Player Compensation & Benefit Plan	52,239	99,434	99,671	79,783	118,471	78,091
National and Other Local Operating Expenses	49,061	57,850	61,540	47,059	55,799	46,886
Total Operating Expenses	**101,300**	**157,284**	**161,211**	**126,842**	**174,270**	**124,977**
Income (loss) from Baseball Operations	**(9,569)**	**(32,152)**	**(14,360)**	**1,460**	**2,712**	**4,797**
2001 Revenue Sharing Receipts	9,594	(4,432)	(10,647)	(6,807)	(16,438)	(6,568)
Income (loss) from Baseball Operations after Revenue Sharing	**25**	**(36,584)**	**(25,007)**	**(5,347)**	**(13,726)**	**(1,771)**
Income (loss) from Baseball Operations after Interest	**(4,953)**	**(44,358)**	**(23,868)**	**(13,732)**	**(13,675)**	**2,894**
Non-Local Operating Revenue as a percent of Total Operating Revenue & Revenue Sharing	33.55%	11.64%	10.10%	14.48%	4.96%	14.47%

NOTE:
1) Player Compensation includes 40-man roster costs and termination pay

2001 Consolidated Industry Forecast (as of 11/25/01)
(in thousands)
(Unaudited)

	Chicago (AL)	Cincinnati	Cleveland	Colorado	Detroit	Florida
OPERATING REVENUE						
Regular season game receipts	30,898	32,102	69,470	54,015	42,299	16,756
Local television, radio and cable	30,092	7,861	21,076	18,200	19,073	15,353
Post season	0	0	2,000	0	0	0
All Other Local Operating Revenue	26,291	6,523	45,295	35,197	21,018	4,037
Local Operating Revenue	87,281	46,486	137,841	107,412	82,390	36,146
National Revenue	24,401	24,401	24,401	24,401	24,401	24,401
Total Operating Revenue	**111,682**	**70,887**	**162,242**	**131,813**	**106,791**	**60,547**
OPERATING EXPENSES						
[1] Player Compensation & Benefit Plan	66,721	45,410	102,491	69,983	57,184	42,084
National and Other Local Operating Expenses	50,648	36,533	57,870	65,245	49,074	46,204
Total Operating Expenses	**117,369**	**81,943**	**160,361**	**135,228**	**106,258**	**88,288**
Income (loss) from Baseball Operations	**(5,687)**	**(11,056)**	**1,881**	**(3,415)**	**533**	**(27,741)**
2001 Revenue Sharing Receipts	(4,201)	13,404	(13,254)	(6,029)	5,127	18,561
Income (loss) from Baseball Operations after Revenue Sharing	**(9,888)**	**2,348**	**(11,373)**	**(9,444)**	**5,660**	**(9,180)**
Income (loss) from Baseball Operations after Interest	**(7,625)**	**(285)**	**(14,242)**	**(11,522)**	**(10,694)**	**(10,820)**
Non-Local Operating Revenue as a percent of Total Operating Revenue & Revenue Sharing	18.79%	44.85%	7.48%	14.61%	26.38%	54.31%

NOTE:
1) Player Compensation includes 40-man roster costs and termination pay

2001 Consolidated Industry Forecast (as of 11/25/01)
(in thousands)
(Unaudited)

	Houston	Kansas City	Los Angeles	Milwaukee	Minnesota	Montreal
OPERATING REVENUE						
Regular season game receipts	49,161	19,520	50,764	46,021	17,605	6,405
Local television, radio and cable	13,722	6,505	27,342	5,918	7,273	536
Post season	519	0	0	0	0	0
All Other Local Operating Revenue	36,826	13,270	41,100	37,010	6,987	2,829
Local Operating Revenue	100,228	39,295	119,206	88,949	31,865	9,770
National Revenue	24,401	24,401	24,401	24,401	24,401	24,401
Total Operating Revenue	**124,629**	**63,696**	**143,607**	**113,350**	**56,266**	**34,171**
OPERATING EXPENSES						
[1] Player Compensation & Benefit Plan	71,577	42,704	116,077	51,164	30,494	37,676
National and Other Local Operating Expenses	54,266	37,126	72,873	47,801	44,305	35,014
Total Operating Expenses	**125,843**	**79,830**	**188,950**	**98,965**	**74,799**	**72,690**
Income (loss) from Baseball Operations	**(1,214)**	**(16,134)**	**(45,343)**	**14,385**	**(18,533)**	**(38,519)**
2001 Revenue Sharing Receipts	(5,185)	15,997	(9,107)	1,744	19,069	28,517
Income (loss) from Baseball Operations after Revenue Sharing	**(6,399)**	**(137)**	**(54,450)**	**16,129**	**536**	**(10,002)**
Income (loss) from Baseball Operations after Interest	**(9,455)**	**1,474**	**(68,887)**	**9,001**	**(3,791)**	**(12,837)**
Non-Local Operating Revenue as a percent of Total Operating Revenue & Revenue Sharing	16.09%	50.69%	11.37%	22.72%	57.70%	84.41%

NOTE:
1) Player Compensation includes 40-man roster costs and termination pay

2001 Consolidated Industry Forecast (as of 11/25/01)
(in thousands)
(Unaudited)

	New York (NL)	New York (AL)	Oakland	Philadelphia	Pittsburgh	St. Louis
OPERATING REVENUE						
Regular season game receipts	73,971	98,000	24,992	30,435	48,610	67,084
Local television, radio and cable	46,251	56,750	9,458	18,940	9,097	11,905
Post season	(154)	16,000	2,686	0	0	1,488
All Other Local Operating Revenue	38,162	47,057	13,932	7,739	26,598	27,581
Local Operating Revenue	158,230	217,807	51,068	57,114	84,305	108,058
National Revenue	24,401	24,401	24,401	24,401	24,401	24,401
Total Operating Revenue	**182,631**	**242,208**	**75,469**	**81,515**	**108,706**	**132,459**
OPERATING EXPENSES						
[1] Player Compensation & Benefit Plan	99,144	117,936	43,821	49,384	53,227	80,148
National and Other Local Operating Expenses	75,195	83,413	38,761	52,996	58,463	50,442
Total Operating Expenses	**174,339**	**201,349**	**82,582**	**102,380**	**111,690**	**130,590**
Income (loss) from Baseball Operations	**8,292**	**40,859**	**(7,113)**	**(20,865)**	**(2,984)**	**1,869**
2001 Revenue Sharing Receipts	(15,669)	(26,540)	10,520	11,752	1,782	(8,229)
Income (loss) from Baseball Operations after Revenue Sharing	**(7,377)**	**14,319**	**3,407**	**(9,113)**	**(1,202)**	**(6,360)**
Income (loss) from Baseball Operations after Interest	**(5,226)**	**8,230**	**(532)**	**(9,352)**	**(5,879)**	**(7,322)**
Non-Local Operating Revenue as a percent of Total Operating Revenue & Revenue Sharing	5.23%	-0.99%	40.61%	38.76%	23.70%	13.02%

NOTE:
1) Player Compensation includes 40-man roster costs and termination pay

2001 Consolidated Industry Forecast (as of 11/25/01)
(in thousands)
(Unaudited)

	San Diego	San Francisco	Seattle	Tampa Bay	Texas	Toronto	Consolidated
OPERATING REVENUE							
Regular season game receipts	34,381	67,173	76,570	18,193	50,664	25,363	1,383,458
Local television, radio and cable	12,436	17,197	37,860	15,511	25,284	14,460	571,095
Post season	0	0	7,392	0	0	0	45,543
All Other Local Operating Revenue	8,504	61,524	56,211	28,633	34,561	14,255	827,815
Local Operating Revenue	55,321	145,894	178,033	62,337	110,509	54,078	2,827,911
National Revenue	24,401	24,401	24,401	18,258	24,401	24,401	719,965
Total Operating Revenue	**79,722**	**170,295**	**202,434**	**80,595**	**134,910**	**78,479**	**3,547,876**
OPERATING EXPENSES							
[1] Player Compensation & Benefit Plan	46,088	72,185	83,946	57,000	92,793	83,801	2,140,727
National and Other Local Operating Expenses	49,784	79,110	84,222	46,438	57,806	47,605	1,639,389
Total Operating Expenses	**95,873**	**151,295**	**168,168**	**103,438**	**150,599**	**131,406**	**3,780,117**
Income (loss) from Baseball Operations	**(16,151)**	**19,000**	**34,266**	**(22,843)**	**(15,689)**	**(52,927)**	**(232,241)**
2001 Revenue Sharing Receipts	8,668	(6,308)	(18,791)	12,384	(8,744)	9,830	0
Income (loss) from Baseball Operations after Revenue Sharing	**(7,483)**	**12,692**	**15,475**	**(10,459)**	**(24,433)**	**(43,097)**	**(232,241)**
Income (loss) from Baseball Operations after Interest	**(10,298)**	**(139)**	**14,793**	**(17,880)**	**(31,249)**	**(42,504)**	**(344,732)**
Total Other Income (Expense)							(174,234)
Income (Loss) after Interest and Amortization and before Income Taxes							**(518,966)**
Non-Local Operating Revenue as a percent of Total Operating Revenue & Revenue Sharing	37.41%	11.03%	3.05%	32.96%	12.41%	38.76%	20.29%

NOTE:
1) Player Compensation includes 40-man roster costs and termination pay

FINANCIAL INFORMATION PROVIDED TO THE UNION

1. During collecting bargaining in 1985, the Clubs provided the Union with their financial statements for the first time. The Clubs provided detailed audited financial statements and financial information questionnaires for each Club and consolidated industry financial statements. These statements provided a detailed accounting of the Clubs' revenues and expenses, on both an operating and net basis, and broke out the various revenue and expense categories in detail.

2. During the free agent litigation of the late 1980s, the Clubs provided the Union with this same detailed Club-by-Club and industry revenue and expense information for all years that the Union did not receive in 1985.

3. During the 1990 collective bargaining negotiations, the Clubs provided the Union with all audited financial statements and financial information questionnaires and consolidated industry financial statements containing the same detailed revenue and expense data for each Club for the years not yet provided during the 1985 bargaining or during the course of the free agent litigation. The Union never once complained that it was not provided with every financial document that it sought.

4. The 1990 Basic Agreement established a Joint Economic Study Committee ("Study Committee") which consisted of Union and Club appointed experts. Don Fehr was a co-chair of that Committee and the Union and its staff had access to all of the financial information and data that was provided to and produced by the Study Committee. The Committee was charged with studying and reporting to the parties on the overall economic condition of the industry. The Study Committee hired its own staff of economists who sought and received the Clubs' financial statements and other financial information dating back to 1978. Upon its review, the Committee staff concluded that the financial data regularly complied by the Clubs, with the assistance of Ernst & Young, "are probably more consistent and accurate than data for most other American industries." In addition to all of the typical Club-by-Club financial statements provided to the Committee, several individual Clubs made presentations to the Study Committee and revealed aspects of their business in even greater detail than is provided to Central Baseball and the Union during the normal course of business.

5. Again, during the 1994-1996 collective bargaining negotiations, the Clubs provided the Union with all of the same detailed Club-by-Club and industry revenue and expense information, audited financial statements and financial information questionnaires and all other requested information covering the years following the work of the Study Committee. The Union hired its own "experts" to review this data and never once complained that it was not provided with every financial document that it requested.

6. Since 1997, the Clubs have, pursuant to Article XXV of the Basic Agreement, provided the Union with regular local revenue estimates, broken down by the major revenue categories, for each Club on May 15, July 15, September 25, November 15 and March 31 of each year. The Clubs, also pursuant to Article XXV, have on an annual basis provided the Union with the audited financial statements and financial questionnaires of each Club and the industry's consolidated financial statements. They also have provided the Union with the results of the separate audits that are done of the Clubs' books each year by an independent auditor hired pursuant to Article XXV. The Union has the right under the Basic Agreement to conduct its own audit of any Clubs' books and it has never done so. Further, the Union has the right under the Basic Agreement to file a Grievance challenging a Club's reporting of its revenues and it has never done so.

7. On December 1, 2000, in connection with the commencement of early Basic Agreement negotiations and in response to a specific Union request, the Clubs provided the Union the following financial data:

   a. A flash forecast of the Clubs' revenue and expense projections for the 2000 season.
   b. A Club-by-Club debt breakdown for the years 1996-1999 for all Clubs.
   c. Ticket and concession price information for the period 1995-1999.
   d. Payroll quartile data for the period 1982-1990.
   e. For Florida, Kansas City, Minnesota, Montreal, Oakland, Tampa Bay and Toronto:

      (i) Franchise sale agreements;
      (ii) A breakdown of gate revenue by tickets class and suites for the period 1996-1999;
      (iii) Lease agreements;
      (iv) Local media contracts;
      (v) Debt and financing information; and
      (vi) Concession, advertising and signage contracts (for Toronto only).

8. In March 2001, the Clubs provided the Union with:

   a. Audited financial statements of the Major League Central Fund and Major League Baseball Properties for 1999 and 2000.
   b. Updated projections of the Clubs' 2001 revenues.
   c. Attendance detail, including the impact of "no shows," for the 2000 season.
   d. A breakdown of Central Fund revenues and expenses for the period 1996 through 2000.
   e. A forecast of Central Fund revenues for 2001 through 2012.
   f. A listing of the expiration dates of all local media contracts.
   g. A detailed breakdown of the Clubs' amateur player acquisition costs for the period 1990 through 1999.

h. A detailed analysis of local revenue and local expense growth of the Clubs for the period of 1990 through 2000.
i. Detailed information on the Clubs' debt service obligations over the period 2000 through 2003.

9. In September 2001, the Clubs provided the Union with:

   a. Updated Club-by-Club projections of 2001 revenues and expenses.
   b. A detailed breakdown of the industry's increasing debt obligations during the period of 1991 through 2001.

10. In October 2001, the Clubs provided the Union with unprecedented detail on the Clubs' growing debt, including the sources of the debt and the uses to which the debt has been put.